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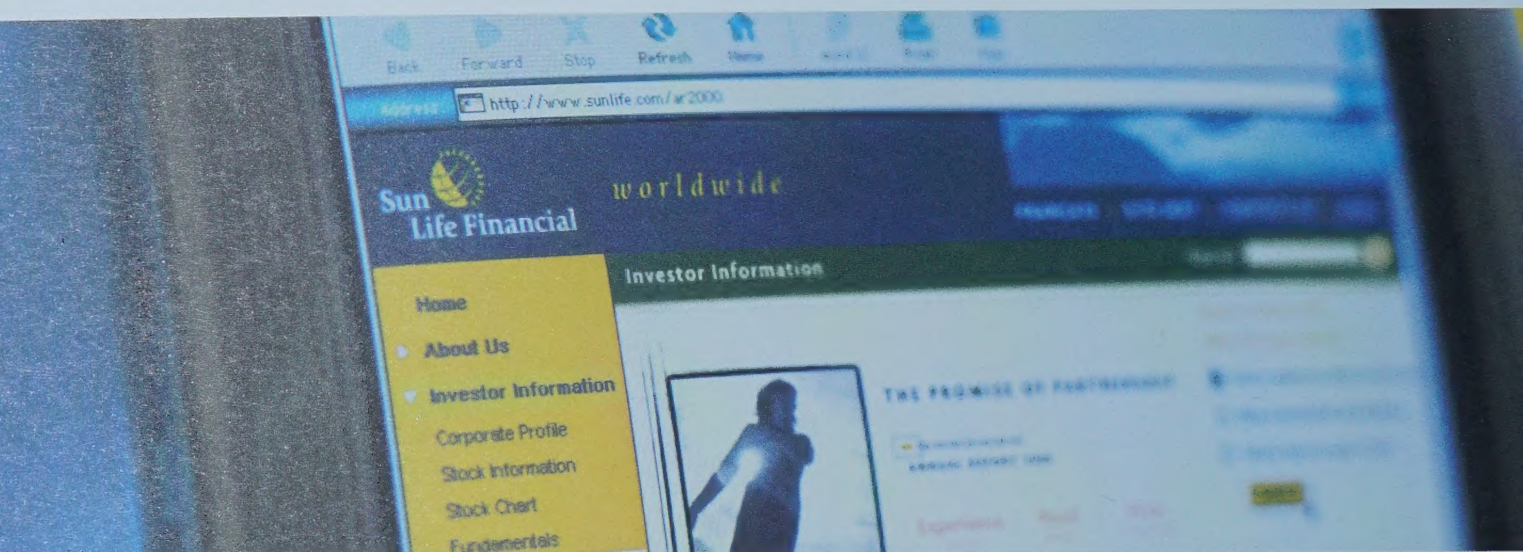
ANNUAL REPORT 2000

THE PROMISE OF PARTNERSHIP SUN LIFE FINANCIAL SERVICES OF CANADA INC. WWW.SUNLIFE.COM

Our anniversary celebrating 130 years of service

The year 2000 ushered in an exciting new era in the history of Sun Life Financial. It was in this landmark year that we celebrated not merely an anniversary, but also an evolution. From its origins as a Canadian life insurance company, Sun Life Financial has grown to become an internationally diversified financial services organization.

Now, the Sun Life Financial group of companies sits poised and ready to take advantage of a unique combination of experience and new technology for the millennium. This report reflects the celebration of our 130 years serving individuals, families and corporate clients around the world and setting the stage for continuing growth and innovation.



Experience the annual report online at www.sunlife.com/ar2000

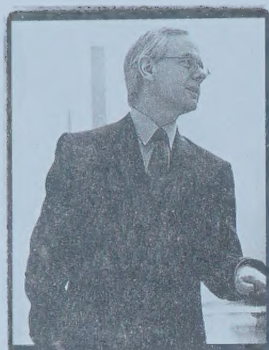


the promise of partnership

Partnership between an organization and its family of stakeholders can be established only when based on a solid understanding of mutual goals and aspirations, founded on a commitment to counsel responsibly and travel the road to the future together. This is the promise of partnership.

At Sun Life Financial, we recognize that power and make our promise with confidence, backed by the mission, vision and values that have allowed us to evolve into the enterprise we are today: To be a world-class provider of financial services, to conduct all business with the highest standards of integrity, and relentlessly pursue excellence. For ourselves, and by result, for our clients... our *partners*.

to our shareholders



left to right

DONALD A. STEWART
Chairman and
Chief Executive Officer

C. JAMES PRIEUR
President and
Chief Operating Officer

PAUL DERKSEN
Executive Vice-President
and Chief Financial Officer

Partnership Founded on Performance

It is not every year that a long-established organization has the opportunity to reinvent itself. For Sun Life Financial, the year 2000 dawned both as a

new century and a year filled with promise.

During 2000, we listed our parent company, Sun Life Financial Services of Canada Inc., on the major stock exchanges in Canada, the United States, the United Kingdom and the Philippines. Combined revenues from our wealth management and insurance businesses increased 10% to \$16.2 billion, while shareholders' earnings reached \$792 million — both all-time records. We made significant progress in our initiatives in India. We believe this market will play an important part in our future growth. Elsewhere, many of our individual business units also registered record performance despite a difficult year in global capital markets.

These outstanding results confirm the strength of our North American and international franchises: strong growth in both U.S. annuity and individual life insurance sales and a substantial increase in mutual and managed fund sales. This performance provides a solid foundation for our covenant of partnership with our investors. Our commitment to every client, corporate or individual, with whom we do business, is to perform; to grow Sun Life Financial today, and to build on that growth for the future. This is our Promise of Partnership.

But before we can expect shareholders to understand the full scope of our promise of partnership, it is vital that they understand our vision of the future.

The Way Ahead

Sun Life Financial has grown beyond its insurance company origins to become a diversified, international financial services organization. While protection products still comprise an important part of our international financial services offering, we believe future growth prospects are increasingly leveraged to wealth management.

Today, 56% of our total revenue and 59% of earnings come from our wealth management business, which includes such well-respected companies as MFS Investment Management [MFS] in the U.S., and Spectrum Investments and McLean Budden in Canada.

A significant component of our wealth management strategy is our majority ownership in MFS Investment Management. MFS launched America's first open-end mutual fund in 1924. Currently, the company is the 9th largest in the U.S. for long-term open-end mutual funds and has total assets under management of US\$147 billion. Rounding out the other North American wealth management portions of the organization are

Our core values – integrity, customer focus, excellence and added value – underscore a commitment to clients and shareholders. These values inspire and enable us to grow Sun Life Financial today, and to build on that growth for the future.

Donald A. Stewart

Canadian mutual fund company Spectrum Investments and institutional money manager McLean Budden. We believe that these groups constitute our competitive advantage on the very large chess board that is global wealth management today.

We offer customers a diversified range of financial products and services around the world. Diversification by market segment and geographic location is not accidental. It has been an integral part of our plan. But being diversified is not enough. Financial services companies today must also be market relevant. The products and services we offer in each national market must reflect the reality of what that market really needs. Segmenting international markets not only by geography but also by integrated product offerings will be a key driver of future performance.

The international arena represents an immense opportunity for us. Many world markets, while potentially enormous, are still in the development stage as far as our operations are concerned. Based on our strong operational capabilities, we are confident that we can significantly increase our share in key markets, such as India and China, over the years ahead.

Building a business model whose foundation is based on earnings diversification ensures the stability and predictability of our performance and our ability to create shareholder value.

Paul Derksen

THE PROMISE OF PARTNERSHIP/SUN LIFE FINANCIAL PASSED MANY SIGNIFICANT MILESTONES IN THE YEAR 2000. ONE THING THAT STANDS OUT MOST CLEARLY IS TANGIBLE EVIDENCE OF THE PROMISE OF PARTNERSHIP WE KEEP WITH OUR VARIOUS STAKEHOLDERS:

CLIENTS/OUR CLIENTS ARE MUCH MORE THAN OUR SOURCE OF REVENUE. THEY ARE OUR INSPIRATION TO GROW, TO INNOVATE, AND TO PROVIDE WORLD-CLASS PRODUCTS AND SERVICES. OUR CLIENT BASE WORLDWIDE COMPRISES SOME 14 MILLION. IN CANADA, WE ARE PROUD TO SERVE MORE THAN 4 MILLION PEOPLE – APPROXIMATELY 12% OF THE COUNTRY'S TOTAL POPULATION. THAT WE HAVE GROWN TO THIS EXTENT SPEAKS LESS TO NUMBERS THAN TO THE SUCCESS OF OUTSTANDING SERVICE, AND TO THE PROMISE OF PARTNERSHIP.

EMPLOYEES/THE EVOLUTION OF OUR ORGANIZATION FROM A SINGLE MUTUAL INSURANCE COMPANY INTO A LEADING INTERNATIONAL FINANCIAL SERVICES ORGANIZATION HAS PLACED EXTRAORDINARY DEMANDS ON ALL OF OUR EMPLOYEES, PARTICULARLY OVER THE LAST FEW YEARS. THE MILESTONES ACCOMPLISHED IN 2000 AS WE CONCLUDED THE DEMUTUALIZATION PROCESS AND LISTED OUR PARENT COMPANY ON STOCK EXCHANGES AROUND THE WORLD DEMONSTRATES THE UNTIRING EFFORTS AND PARTNERSHIP OF OUR 11,000 EMPLOYEES.

SHAREHOLDERS/CANADIAN AND, INCREASINGLY, INTERNATIONAL INVESTORS, BOTH INSTITUTIONAL AS WELL AS RETAIL, ALSO HAVE ENTERED INTO PARTNERSHIP WITH SUN LIFE FINANCIAL THROUGH A WILLINGNESS TO INVEST IN OUR SHARES ON BEHALF OF THEIR CLIENTS OR AS PART OF AN INDIVIDUAL PORTFOLIO. AS A RESULT OF STRONG INVESTOR SUPPORT, SUN LIFE FINANCIAL SERVICES OF CANADA INC. HAS BECOME ONE OF THE LEADING STOCKS IN CANADA BY MARKET CAPITALIZATION. OUR STOCK IS INCLUDED IN THE TSE 300 COMPOSITE INDEX, TSE 100, THE S&P/TSE 60 (THE CANADIAN BIG-CAP INDEX), THE S&P GLOBAL 1200 AND THE S&P/TSE CANADIAN FINANCIALS SECTOR INDEX.



To Our Shareholders

An International Growth Model

The business model for this growth is built on the integration of two components: wealth management and protection. From our perspective, these two business segments ultimately share a common skill set in technology, market segmentation, customer service and increasingly, product design — all supported by the asset management expertise that underpins them both. Each component also gains strength and synergy from the other's strategic position in the marketplace.

A critical component of our future growth and success is to further develop our international presence with the correct product mix in each market. Product innovation and enhanced delivery will continue to characterize services tailored to the consumer segments reflected in our different markets.

C. James Prieur

of product, marketing and organizational synergy as well as added value for the consumer. Another kind of convergence is at work in our industry, as the traditional lines blur between insurance and wealth management as a direct result of consumer demand worldwide. Sun Life Financial is at the forefront of this trend.

To illustrate the logic of our model, it may be insightful to consider how financial services tend to evolve in emerging economies. As per capita GDP increases, there is a shift in customer emphasis away from an initial focus on casualty insurance towards life insurance, and ultimately to various forms of wealth management. We have products and services that correspond to the increasingly complex needs of the financial consumer.

This model integrates our portfolio of products with a portfolio of geographic markets, structured to reflect economic realities, consumer needs and appropriate risk /return expectations. But this involves more than insurance and wealth management products. It reflects an integrated approach to serving the wealth cycle requirements of our customers no matter how simple or complex, and no matter where they live.

Even more important, our model ensures earnings diversification, which contributes to the stability and predictability of our financial performance and ultimately to the creation of shareholder value over time.



DISTRIBUTORS/NEARLY 100,000 AGENTS AND DISTRIBUTORS AROUND THE WORLD SHARE A FORM OF PARTNERSHIP WITH SUN LIFE FINANCIAL THROUGH THEIR COMMITMENT AND DEDICATION, SERVING THE NEEDS OF THEIR CUSTOMERS TO THE BEST OF THEIR ABILITY. THE RESULT OF THIS COMMITMENT HAS BEEN RECORD REVENUE GROWTH GENERATED FROM OUR CORE WEALTH MANAGEMENT AND PROTECTION BUSINESS UNITS. IN THE YEAR 2000, THE POWER AND REACH OF OUR AGENT AND DISTRIBUTOR NETWORK HAS BEEN EXPANDED WITH PRODUCT ACQUISITIONS AND STRATEGIC ALLIANCES WITH LEADING FINANCIAL SERVICES PROVIDERS.

STRATEGIC ALLIANCES/THE WORLD OF SUN LIFE FINANCIAL IS THE WORLD OF INSURANCE, MUTUAL FUNDS, PENSIONS AND OTHER DIVERSIFIED FINANCIAL SERVICES IN CANADA, THE U.S., THE U.K., HONG KONG, THE PHILIPPINES, INDIA, AND BERMUDA. IN MOST OF THESE CASES, PARTNERSHIP – REFLECTED IN OUR STRATEGIC ALLIANCES – IS THE KEY TO DELIVERING ON THE PROMISE OF EXCELLENCE IN BOTH OUR PRODUCTS AND OUR PEOPLE.

- OUR STRATEGIC ALLIANCE IN INDIA WITH THE ADITYA BIRLA GROUP, ONE OF THE COUNTRY'S LARGEST AND MOST RESPECTED BUSINESS HOUSES, TO MARKET A BROAD RANGE OF FINANCIAL PRODUCTS AND SERVICES ACROSS THE SUB-CONTINENT. WITH THE GRANTING OF A LICENSE, WE WILL ALSO PARTICIPATE IN THE LIFE INSURANCE BUSINESS IN INDIA.

- OUR AGREEMENT IN PRINCIPLE TO OPERATE WITH OUR PARTNER, THE CHINA EVERBRIGHT GROUP, MOVES US CLOSER TO SELLING OUR FIRST INSURANCE POLICY IN CHINA. WE LOOK FORWARD TO A LONG AND PROFITABLE RELATIONSHIP WITH CHINA EVERBRIGHT.

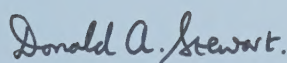
Understanding All Markets

While we employ an international growth model, it is also defensive by nature. It is true that our business is leveraged to a certain extent to the capital markets — wealth management products are, after all, designed to create wealth — but it is not dependent on this path alone. It is also based on more than 100 years of understanding how to price and manage risk, which is reflected in the strength of our balance sheet today.

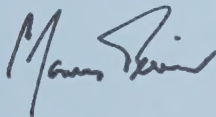
Investors who understand the dynamics of our strategy, as outlined above, will fully grasp the commitment we are making to grow our business. A commitment based on a clearly articulated corporate strategy where company and consumer, product and market, geographic location and economic condition, risk and reward all clearly intersect. As partners in the future growth prospects of Sun Life Financial, investors can continue to expect nothing less.

Board Appointments

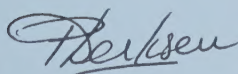
During the year Angus A. MacNaughton retired from the Board, having made an exceptional contribution to Sun Life Financial over his 20 years of service. Sun Life Financial welcomes James C. Baillie, Q.C. and William R. Fatt to the Board. Mr. Baillie has an extensive background in legal and financial services. Mr. Fatt is a Chief Executive Officer in the service business and has significant financial experience.



DONALD A. STEWART
Chairman and Chief Executive Officer



C. JAMES PRIEUR
President and Chief Operating Officer



PAUL DERKSEN
Executive Vice-President and Chief Financial Officer

community reinvestment

The Promise of Partnership, Kept

During the year 2000, our stated commitment to increasing shareholder value has manifested itself in ways that go beyond our fiscal performance. Financial health is, of course, the cornerstone for any philanthropic activity. Simply put, in what was a banner year for the Sun Life Financial group of companies, doing well allowed us to do *good* – to make a difference in the lives of thousands of people in our many markets around the world.

While we reinvest in our communities through a wide range of initiatives, we are committed to a strong focus on youth. There can be no more worthy investment than in young minds hungry for knowledge and no effort more rewarding than bettering the lives of children whose futures can blossom if given a chance. Sun Life Financial is proud of the initiatives undertaken by our many offices and business units throughout our global family.

In our U.S. operation, teams of volunteers raised thousands of dollars to assist pediatric cancer patients, underprivileged inner-city children and families in need. Our U.K. office continued its long-standing support of under-15 cricket. In Hong Kong, corporate funding enabled the creation and development of a unique series of storybooks for hospitalized children. In the Philippines, the donation of computers to “Manila’s Caritas”, a social organization, furthered the education of youths no longer in school.

In Canada, an exceptional opportunity presented itself in the form of a corporate partnership with the Canadian Broadcasting Corporation’s landmark television series, *Canada: A People’s History*. Through its exclusive sponsorship, Sun Life Financial was able to demonstrate “community reinvestment” on a nationwide level. In keeping with our focus on youth, some 28,000 schools across Canada are now able to order sets of specially edited one-hour classroom segments, together with comprehensive teachers’ guides to the series.

From children’s hospital storybooks in Hong Kong, through inner-city programs in the U.S.; from cricket teams in England to a televised history of Canada, in the year 2000, Sun Life Financial continued its commitment to community reinvestment – with a history of performance, and the Promise of Partnership.



financial review



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Management's Discussion and Analysis

Financial Highlights

(in millions of Canadian dollars, except earnings per share)

	2000	1999	1998
Shareholders' Net Income*	792	649	719
Earnings per Share*	1.90	1.62	1.80
Return on Shareholders' Equity*	12.7%	11.2%	12.0%
Total Revenue	16,206	14,741	12,881
Fee Income	3,317	2,606	2,014
Premiums and Deposits			
Premium Revenue	9,113	8,022	6,832
Segregated Fund Deposits	8,318	4,137	4,345
Mutual Fund Sales	45,614	38,123	33,849
Managed Fund Sales	25,869	13,939	12,255
Total Premiums and Deposits	88,914	64,221	57,281
Assets Under Management (At December 31)			
General Fund Assets	55,802	54,751	54,319
Segregated Fund Assets	48,741	46,014	39,213
Mutual Fund and Other Assets Under Management	223,990	200,538	157,074
Total Assets Under Management	328,533	301,303	250,606

QUARTERLY INFORMATION

	2000				1999			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	4,036	4,249	4,172	3,749	3,871	3,656	3,651	3,563
Shareholders' Net Income*	211	203	197	181	154	147	166	182
Earnings per Share*	0.50	0.48	0.47	0.45	0.38	0.38	0.41	0.45
Total Assets Under Management	328,533	344,829	329,702	321,414	301,303	264,612	265,732	254,503

* Amounts for periods prior to the Company's demutualization are on an adjusted pro forma basis, as discussed in detail in the Net Income Adjustments section on page 13

CREDIT RATINGS

Financial Strength	Standard & Poor's	AA+
	Fitch	AAA*
	A.M. Best	A++
	Moody's	Aa2
Subordinated debt and Cumulative Capital Securities	Standard & Poor's	AA-*
	Fitch	AA*
	Moody's	A1

* With negative outlook

** Rating for Cumulative Capital Securities is A+



Overview of Business Segments

Sun Life Financial Services of Canada Inc.¹ and its consolidated subsidiaries (the "Company") operate two principal businesses, Wealth Management and Protection, which offer a growing range of financial products and services in Canada, the United States, the United Kingdom, Asia and other markets around the world. Revenue and expenses not directly attributable to Wealth Management or Protection are reported in Corporate and Other.

- 1) **Wealth Management** is comprised of the Company's asset management, mutual fund, pension, annuity, and trust and banking operations;
- 2) **Protection** or insurance is comprised of the Company's individual life, and group life and health insurance operations.

Wealth Management represents the Company's most prominent growth business segment with \$293.8 billion in assets under management as at December 31, 2000, representing 89% of the Company's total assets under management. In 2000, the Wealth Management business accounted for 56% and 59% of the Company's consolidated revenue and earnings, respectively. This business has achieved a compound annual growth rate of 26% in assets under management and 32% in fee income over the five-year period 1996 to 2000. The Wealth Management business is driven principally by: (i) investment advisory fees; (ii) distribution and servicing fees; (iii) mortality and expense fees; (iv) annuity premiums; and (v) net investment income on general fund assets held primarily in the pension and fixed annuity businesses.

Protection represents a steady and consistent growth business segment for the Company, contributing 43% of the Company's consolidated revenue and 40% of the total earnings in 2000. The premium income from this business recorded a compound annual growth rate of 6% in the five-year period 1996 to 2000. In the Protection business, the principal sources of revenue are: (i) premiums earned on individual life, group life and group health insurance contracts; and (ii) net investment income on assets supporting actuarial liabilities in the Protection business.

The **profitability** of the Company's Wealth Management and Protection businesses depends in large part on: (i) the amount and composition of assets under management; (ii) the management of product pricing; (iii) mortality and morbidity rates; (iv) expense management; (v) the maintenance of spreads between credited rates and investment returns; (vi) surrender and lapse rates; and (vii) the management of market and credit risks. Additional external factors such as changing legislation and regulations of the financial services industry may also affect the Company's profitability.

¹ On March 22, 2000, Sun Life Financial Services of Canada Inc. became the holding company of Sun Life Assurance Company of Canada and completed the conversion from a mutual company to a stock company. As a result of the demutualization, the Company's operations consist of two accounts: the participating policyholders' account and the shareholders' account. The shareholders' account includes the results of all non-participating businesses and transfers from the participating policyholders' account.

**FEE INCOME
WEALTH
MANAGEMENT**
(CDN \$ billions)



**PREMIUM INCOME
PROTECTION**
(CDN \$ billions)



Consolidated Results of Operations

The Company reported excellent results from operations for the year ended December 31, 2000 as assets under management, revenue and earnings all increased to record levels.

SHAREHOLDERS' NET INCOME

Shareholders' net income for the year ended December 31, 2000 was \$792 million, representing an increase of \$143 million or 22% over the \$649 million in 1999 on an adjusted pro forma basis². Earnings per share were \$1.90, up 17% from \$1.62 in 1999. Return on shareholders' equity increased to 12.7% from 11.2% in 1999.

The record earnings performance reflected solid results across the Company's core business franchises for 2000. Massachusetts Financial Services ("MFS") maintained strong growth momentum, achieving record earnings of \$256 million in 2000, up 37% over 1999. Earnings from the Company's insurance operations in the United States increased by 29% to \$229 million, reflecting the Company's continued strength in both the fast growing variable annuity business and the high-end individual insurance market in the United States. The Company's Canadian operations, which achieved consistent earnings growth in all business lines with strong performance in the group business in particular, recorded \$184 million in earnings, up 11% from 1999. The Company's operations in the United Kingdom contributed \$119 million to the Company's earnings, 18% higher than the adjusted 1999 earnings of \$101 million. Earnings from the Company's insurance operations in Asia increased by \$12 million to \$50 million, attributable to strong earnings growth in the Philippines. Total earnings from the Company's Asian operations, however, declined to \$27 million from \$31 million in 1999, due to higher expenses as the Company intensified its business development activities in the region in 2000.

² Adjusted pro forma earnings are discussed in detail in the Net Income Adjustments section on page 13.

Both the Wealth Management and Protection businesses of the Company reported strong earnings performance for the year ended December 31, 2000. Wealth Management posted earnings of \$469 million, an increase of 36% over \$344 million in 1999. This solid earnings increase reflected continued strong growth in the Company's mutual fund operations and U.S. annuity products. The Protection business contributed earnings of \$320 million in 2000, up 108% relative to \$154 million in 1999. These excellent results were broadly based and reflected in all Protection business lines of the Company. The Company's group protection business in particular experienced strong earnings growth momentum, due largely to improved pricing and favourable health claims experience.

ASSETS UNDER MANAGEMENT

The Company's assets under management are comprised of general funds, segregated funds, and mutual and managed funds. Total assets under management increased to \$328.5 billion, up \$27.2 billion or 9% from the 1999 level of \$301.3 billion, despite the challenging conditions experienced in the North American equity markets in 2000. MFS maintained its strong asset growth momentum with a \$22.1 billion or 11% increase in mutual and managed fund assets. Assets at McLean Budden increased by \$2.7 billion or 14% in 2000, driven by sales of managed funds and market appreciation during the year. The Company's segregated fund assets rose by \$2.7 billion or 6% over 1999, reflecting strong U.S. variable annuity sales boosted by the introduction of enhanced products.

The Company's general fund assets increased by \$1 billion from the 1999 level of \$54.8 billion. The asset growth from continuing operations and sales of investment products in the U.S. was partially offset by a \$2 billion decrease in general fund assets related to the divestiture of Sun Life Trust in March 2000.

The decline of U.S. equity markets in 2000, primarily in the fourth quarter, resulted in market-related reductions of \$17.4 billion in the Company's U.S. mutual and managed fund assets. The market value of these assets dropped approximately 10% in the fourth quarter, consistent with the overall declines experienced in the U.S. stock markets during this period. The strengthening of the U.S. dollar relative to the Canadian dollar, however, boosted the Company's U.S. mutual and managed fund assets by \$8 billion during the year.

REVENUE

Total revenue increased to \$16.2 billion, up \$1.5 billion or 10% from \$14.7 billion in 1999. The increase was due primarily to continued growth in fee income and annuity premiums. Fee income grew by \$711 million or 27% from 1999, driven by the Company's growth in assets under management. Fee income rose by \$562 million or 31% in MFS and \$106 million or 34% in the U.S. individual annuity business, respectively. Annuity premiums increased by \$877 million or 25%, resulting primarily from sales of investment products in the United States. Life insurance premiums were up by \$123 million or 4%, primarily reflecting increased sales of universal life products in the United States.

BENEFIT PAYMENTS AND EXPENSES

The Company has a variety of variable and fixed payment obligations and expenses, which impact overall profitability.

Payments to policyholders, beneficiaries and depositors decreased by \$506 million to \$6.5 billion for the year ended December 31, 2000, reflecting reduced interest payments to depositors due to the sale of Sun Life Trust and the impact of U.K. pension sales provisions taken in 1999. Transfers to segregated funds increased by \$235 million to \$2.6 billion in 2000, consistent with higher transfers of funds associated with annuity products sold in the United States. The increase in actuarial liabilities was \$1.9 billion compared to \$1 billion in 1999, reflecting sales of investment products in the United States.

Commission expenses increased by \$203 million to \$1.3 billion in 2000, primarily attributable to higher mutual fund sales in MFS. Operating expenses increased to \$2.5 billion from \$2.3 billion in 1999. The increase reflected the continued business growth in MFS. Excluding MFS, operating expenses decreased by \$37 million to \$1.4 billion. In the Protection business, operating expenses accounted for 15% of premium revenue compared to 17% in 1999. The decreased operating expense ratio was attributable to improved operating efficiency in the Company's insurance operations during the year.

Interest expenses decreased by \$2 million to \$159 million in 2000. The reduction in interest expenses, resulting from a decrease of \$300 million in short-term borrowed funds in 2000, was largely offset by the effect of the strengthening U.S. dollar relative to the Canadian dollar, as most of the Company's debt is borrowed in U.S. dollars.

NET INCOME WEALTH MANAGEMENT AND PROTECTION*

(CDN \$ millions)



* On an adjusted pro forma basis

FEE INCOME

(CDN \$ billions)





Income taxes on operating income from continuing worldwide operations were \$379 million in 2000 compared to \$418 million in 1999. The Company's consolidated effective income tax rate for 2000 was 32% compared to 56% for 1999. The primary reason for the higher effective tax rate in 1999 was that the Company did not record tax benefits on the provisions for the U.K. pension sales. Excluding the impact of these provisions, the 1999 effective tax rate would have been 34%.

NET INCOME ADJUSTMENTS

Shareholders' net income for the year ended December 31, 2000, reported in this management's discussion and analysis, reflects the impact of the Company's demutualization for the full reporting year. For comparison purposes, shareholders' net income for both the years ended December 31, 1999 and 1998 has been computed on a pro forma basis, which represents earnings that would have been attributable to shareholders if the Company had been a stock company in both years. The pro forma shareholders' results for both 1999 and 1998, as outlined in the following table, have also been adjusted for special provisions in connection with the Company's pension business in the U.K., losses from discontinued reinsurance operations, and gains on the sale of shares of MFS.

NET INCOME ADJUSTMENTS

(in millions of Canadian dollars)	2000	1999	1998
Total Net Income	802	164	54
Net Income Attributable to Participating Policyholders¹	(10)	(68)	(65)
Adjustments			
U.K. Provisions and Other Unusual Items	-	410	686
Loss from Discontinued Operations	-	170	88
Net Gain on Sale of MFS Shares to Employees	-	(27)	(44)
Total Adjustments	-	553	730
Shareholders' Net Income	792	649	719

¹ Represents net income attributable to participating policyholders. Amounts for periods prior to the Company's demutualization are on a pro forma basis.

The Company made total provisions of \$410 million in 1999 as a result of liabilities to customers arising from prior pension sales and annuity rate guarantees in the United Kingdom. Based on the current guidelines of the U.K. financial authorities, the Company believes that the pension sales provisions taken in prior years are sufficient to cover its underlying liabilities. As a result, additional provisions were not required in 2000.

The Company incurred a loss of \$170 million in 1999 in its reinsurance business, which was discontinued at the end of 1999. Shareholders' net income in both 1999 and 1998 reflects adjustments for the losses from these discontinued reinsurance operations.

The Company recorded after-tax gains of \$27 million in 1999 on the sale of common shares of MFS to MFS employees. The Company's ownership interest in MFS was 83.4% as at December 31, 2000. Under an existing common equity purchase plan for senior management and certain other employees of MFS, there are currently options outstanding which, if exercised, would reduce the Company's economic interest in MFS to approximately 78.4%.

COMPANY OUTLOOK

The Company believes that industry consolidation will continue in the North American financial services sector, and will likely intensify in Canada after pending new financial services legislation is enacted. Management believes that the Company is well positioned to capitalize on opportunities arising from the rapidly changing regulatory and business landscape in the financial services industry.

The Company is fully committed to its vision of becoming a leading international financial services provider and intends to continue to solidify and grow its market presence. Strengthening its growth platform and improving return on shareholders' equity have been identified as two of the Company's near-term objectives. The Company intends to leverage its financial strength and operating competencies to achieve these goals.

The focus of the Company's growth in the near term will be on the wealth management business, which generates primarily fee income and requires relatively low levels of capital. Management will pursue acquisition opportunities and strategic partnerships, particularly in North America, to complement and further strengthen its core wealth management operations. The Company also intends to grow those protection business lines that provide attractive returns on capital. In addition, the Company will continue to strengthen operations in its existing Asian markets, reflecting its assessment of long-term growth opportunities in those markets. On the operational front, capital efficiency and productivity improvement remain management's priorities. The Company will review its options to free up additional capital and will redeploy excess capital in acquisitions and business growth activities. Management will continue to aggressively implement cost reduction measures designed to improve profitability and to contribute to shareholder returns.

The Company's operating strategies in the United Kingdom over the past two years have focused on simultaneously reducing costs and creating a new approach to driving revenue growth. The cost reduction efforts have been successful; however, the revenue trajectory has been disappointing and the Company has concluded that the United Kingdom operations will be unable to meet its longer-term financial objectives. As a result, in February 2001 the Company decided to exit the direct sales force distribution business in the United Kingdom. The Company will also continue to review the strategic position of its other businesses in the United Kingdom.

The Company currently anticipates that its long-term growth objectives can be met over the business cycle.

Canadian Operations

The Company's Canadian operations offer a full range of wealth management and insurance products and services. The wealth management business includes: i) group pension and annuity products offered through the Company's Group Retirement Services ("GRS") business unit; ii) mutual funds and asset management services primarily conducted by the Company's wholly-owned Spectrum Investments ("Spectrum") and 58%-owned McLean Budden subsidiaries; and iii) individual annuities, and trust and brokerage services. The protection business is comprised of i) individual insurance, including universal life, term life, non-participating and participating whole life insurance products; and ii) group life and health insurance, including life insurance, short and long-term disability insurance, and dental and extended care plans.

For the year ended December 31, 2000, the Canadian operations achieved solid financial performance and consistent earnings growth across all business lines. Shareholders' net income increased to \$184 million, up \$18 million or 11% from 1999. Revenue for the year grew by \$141 million or 4% from the 1999 level of \$3.8 billion, excluding \$156 million in revenue from Sun Life Trust in 1999. Total assets under management were \$50.5 billion as at December 31, 2000, compared to \$49.4 billion as at December 31, 1999. The Canadian operations contributed 23% of the Company's consolidated earnings and 24% of total revenue in 2000.

On March 1, 2000, the Company completed the sale of the mortgage and GIC operations of Sun Life Trust. This sale reflected the Company's strategy to exit businesses that do not fit the Company's growth objectives.

**CANADIAN
OPERATIONS
ASSETS UNDER
MANAGEMENT**
(CDN \$ billions)



FINANCIAL PERFORMANCE – CANADIAN OPERATIONS

(in millions of Canadian dollars)

	Revenue			Shareholders' Net Income ¹		
	2000	1999	1998	2000	1999	1998
Wealth Management						
Group Retirement Services	620	636	584	45	38	55
Spectrum and Other	881	779	724	24	21	36
Sun Life Trust ²	-	156	155	-	15	9
Protection						
Individual Life	969	941	844	48	36	15
Group Life and Health	1,468	1,402	1,303	68	28	34
Other	8	47	21	(1)	28	58
Total Canadian Operations	3,946	3,961	3,631	184	166	207

Amounts for periods prior to the Company's demutualization are on an adjusted pro forma basis.
Sun Life Trust was sold on March 1, 2000.



GROUP RETIREMENT SERVICES

The Company is a leading provider of group pension products and retirement services in Canada. With its strength in product offerings and infrastructure capability, the Company is well equipped to meet the complex plans and service requirements of medium to large corporations and associations.

During 2000, the Company maintained its strong market position and achieved solid financial performance in spite of increasing competition in the Canadian pension industry. Fee income increased by 17% to \$42 million, due to continued asset growth and favourable performance by the Canadian equity market during most of 2000. Revenue, however, declined marginally, reflecting lower annuity premiums resulting from a changing business mix with increased focus on fee-based businesses. Earnings from Group Retirement Services were up by \$7 million or 18%, as a result of market share growth and improved operating margin. The GRS business unit reduced its operating expenses by 12% compared to the 1999 level while achieving strong business growth. Assets under management in GRS, driven by new sales and favourable overall market performance, grew by 5% to reach \$12.1 billion as at December 31, 2000.

With increased market focus in 2000, the Company strengthened its leadership position in the fast-growing sectors of the group pension market. According to Benefits Canada's annual survey at June 30, 2000, the Company became the top industry provider of group retirement plans in Canada based on total assets under administration. In addition, the Company continued to forge strong customer relationships by providing enhanced Internet-based services to its group clients and plan members.

SPECTRUM AND OTHER

Spectrum and Other includes the Company's Spectrum Investments and McLean Budden subsidiaries, as well as individual annuity, trust and brokerage businesses. Spectrum manages and distributes 44 retail mutual funds in Canada, with total mutual fund assets of \$7.8 billion as at December 31, 2000. McLean Budden is one of the premier providers of investment management services in Canada, with \$22.2 billion in assets under management as at December 31, 2000, of which \$3.4 billion was managed on behalf of Spectrum.

Total revenue increased by \$102 million or 13% over 1999, primarily attributable to continued growth in assets under management. Fee income grew by \$62 million, representing a 32% increase over the 1999 level of \$195 million. Total earnings in 2000 were up 14% to \$24 million compared to 1999, attributable to higher asset levels and improved expense management. This earnings growth was achieved despite the fact that the Company increased the actuarial liabilities for its individual annuity business in 2000, in part as a result of the adoption of the new industry reserving standards in Canada.

Total assets under management rose to \$28.4 billion, an increase of 8% from 1999. This growth was largely due to new sales and the appreciation of the Canadian equity market. Consistent with improving net sales in the Canadian mutual fund industry in 2000, Spectrum reported net sales of \$45 million for the year, compared to net redemptions of \$370 million in 1999.

During 2000, Spectrum launched a multi-channel marketing campaign and successfully increased the market awareness of its mutual fund family brand. Spectrum's flagship Canadian Equity fund, with \$1.7 billion in assets as at December 31, 2000, posted a one-year return of 14.3% in 2000, compared with 7.4% for the Toronto Stock Exchange 300 composite index. The excellent investment performance of its mutual funds, together with its improved services in 2000, provided a solid foundation to establish Spectrum as one of the preferred mutual fund family brands in the Canadian marketplace.

INDIVIDUAL LIFE

The Company's individual life operation offers a broad range of insurance products that are tailored primarily for middle and high net worth individuals. Revenue from the individual life business grew by 3% as increased sales of universal life products were partially offset by lower sales in participating life products. The Company has been shifting its focus towards the non-participating life business as a result of declining market demand for participating products. Earnings from the individual life business increased by \$12 million or 33% in 2000, reflecting the impact of a reinsurance treaty the Company established in 2000, partially offset by an unfavourable impact related to the adoption of the new industry reserving standards and higher new business strain.

During the year, the Company continued to broaden its distribution channels through alliances and partnerships with third-party distributors. New sales of individual life insurance through third-party distributors increased from 32% of new business premiums in 1999 to 45% in 2000.

GROUP LIFE AND HEALTH

The Company is one of the largest providers of group insurance products in Canada. Its group products are custom designed to fulfill the protection needs of employers of all sizes. The Company has maintained its strong market position through its strength in product offerings and high-quality customer services and claims-supporting systems.

Revenue from the group business increased by \$66 million or 5% in 2000, reflecting increased new business premiums and operating as expense to adverse health claims experience in 1999. Fee income earned on administration services only business in the group health line grew to \$41 million, up 24% over 1999.

Earnings from the group insurance business grew by \$40 million or 143% relative to 1999. This exceptional earnings performance was primarily attributable to improved pricing and better claims experience in group health and favourable mortality experience in group life. The Company's position in the group business market was significantly strengthened in 2000 as a result of its enhanced capabilities in Internet-based client services and improved operating efficiency.

OTHER

Other operations in Canada include investment income and expenses not directly related to the operating units in the Company's Canadian operations. For the year ended December 31, 2000, Other operations reported a \$1 million loss compared to \$3 million of earnings in 1999. This decline in earnings was primarily attributable to lower investment income as capital in this business line was redirected to support business growth in the operating units in 2000.

United States Insurance Operations

The Company's U.S. insurance operations primarily concentrate on individual annuity products and high-end individual insurance markets. The Company, through its Retirement Product and Services ("RPS") business unit, offers innovative and enhanced variable and fixed annuities in the United States. The insurance business is organized into two operational areas: i) individual life, including fixed and variable universal life, term life, non-participating and participating whole life insurance; and ii) group life and health insurance, including life insurance, short and long-term disability benefits and medical stop-loss plans.

For the year ended December 31, 2000, the U.S. insurance operations reported significant growth with earnings up 29% and revenue up 11% compared to 1999. This impressive growth was primarily attributable to the Company's strengthening position in the U.S. variable annuity and high-end individual insurance markets. In 2000, the U.S. insurance operations contributed 29% of the Company's consolidated earnings and 44% of total revenue.

FINANCIAL PERFORMANCE – U.S. INSURANCE OPERATIONS

(in millions of Canadian dollars)

	Revenue			Shareholders' Net Income ¹		
	2000	1999	1998	2000	1999	1998
Wealth Management						
Retirement Products and Services	4,406	3,270	2,289	73	57	59
Protection						
Individual Life	1,981	1,863	1,819	75	22	64
Group Life and Health	699	622	552	25	20	29
Individual Disability ²	-	-	112	-	-	37
Other	73	80	64	56	78	5
Total U.S. Insurance Operations	7,159	5,835	4,836	229	177	194

Amounts for periods prior to the Company's demutualization are on an adjusted pro forma basis.

The Company sold its individual disability business in the U.S. in February 1999. The transfer of reinsurance associated with this business in 1998, in anticipation of the sale, gave rise to a \$30 million after-tax gain.



RETIREMENT PRODUCTS AND SERVICES

The Company has experienced significant growth in sales of variable annuity products in the U.S. as a result of success in developing multiple distribution channels and offering innovative products. The Company is an industry leader in customer service, as evidenced by the Company's No. 1 ranking for overall operations support in the DALBAR 2000 Financial Professional Survey.

During 2000, the RPS business unit continued to leverage its operational strength to achieve rapid sales growth. Sales of annuities, including the multi-manager Futurity and MFS-managed Regatta products, reached a record level of \$6.5 billion, a 57% growth over 1999. The Company reinforced its strong sales momentum with the introduction of enhanced fixed and variable annuity products.

Revenue in this business line increased by \$1.1 billion or 35% over 1999, primarily due to the increased fee income of \$104 million and sales of investment products, which generated \$820 million in revenue in the first year of operation. Earnings grew by \$16 million or 28% over 1999, reflecting rising fee income associated with growth in assets managed under variable annuity contracts. Assets under management increased by 14% to \$36.2 billion in 2000, consistent with strong sales of the Company's variable annuities and investment products during the year.

The Company stopped selling low margin and capital intensive group pension products in 1997. A block of group retirement business, however, remains in force, with assets of \$3.2 billion as at December 31, 2000 versus \$3.5 billion as at December 31, 1999.

**U.S. ANNUITY
SALES**
(CDN \$ billions)



INDIVIDUAL LIFE

The Company's individual life business is concentrated on the high net worth market and the emerging affluent segment of the population. The Company also participates in corporate-owned life insurance products, which are designed specifically to finance senior executive benefit plans. The Company's individual life insurance products in the U.S. are principally distributed through general agents and third-party intermediaries, which provide strong access to its target customers.

During 2000, the Company continued to strengthen its market positions in its core segments through product differentiation and expansion of multi-channel distribution. Revenue from the individual life business increased by \$118 million due to higher sales in single premium and universal life products. Earnings from the individual life business increased by \$53 million or 241%, reflecting the Company's focused growth in high margin products and favourable mortality experience in 2000. The 1999 earnings were negatively impacted by a provision of \$24 million, net of taxes, in connection with the settlement of lawsuits related to the industry's past selling practice of whole life insurance policies.

The Company intends to increase its focus as a preferred provider for high net worth individuals of competitively-priced, high-quality and value-added products and services including estate planning, wealth transfer and preservation, and benefit plan funding.

GROUP LIFE AND HEALTH

The Company's group insurance business is focused on small and medium-sized companies. Group products are marketed and distributed through the Company's extensive sales network with experienced field sales representatives and 19 regional sales offices across the United States.

Revenue from the group life and health business increased by \$77 million or 12% over 1999. The increase, primarily driven by premium growth in group health, reflected price increases due to escalating medical costs and the Company's increased penetration of its target markets and core product lines. Earnings grew by \$5 million or 25% compared to 1999, primarily attributable to better claims experience in the long-term disability line and improved pricing in the stop-loss line of business. During 2000, the group operation continued to increase its presence in high margin and low capital intensive business segments, which was evidenced by the Company's growing position in the medical stop-loss market.

OTHER

Other operations in the U.S. include investment income, venture capital gains and expenses not directly attributable to the U.S. operating units. For the year ended December 31, 2000, earnings from Other operations declined by \$22 million to \$56 million. The 1999 earnings included total after-tax gains of \$27 million on the sale of its New London Trust subsidiary and its individual disability business. Gains on venture capital investments, net of asset provisions, were \$2 million higher, compared to \$45 million in 1999.

MFS Investment Management

MFS is a leading U.S.-based money manager involved in the management and distribution of mutual funds and institutional funds. It is also engaged in the management of U.S. variable annuity products for the Company and other financial services companies.

MFS continued its record performance in revenue, earnings and assets under management in 2000. Earnings from MFS grew by 37%, and revenue, comprised largely of fee income, was up 31% from 1999. Solid revenue and earnings performance was primarily driven by rising fee income as total assets under management in MFS increased by 11% to reach \$222.8 billion as at December 31, 2000. In 2000, MFS accounted for 32% of the Company's consolidated earnings and 15% of total revenue.

FINANCIAL PERFORMANCE – MFS

(in millions of Canadian dollars)

	2000	1999	1998
Revenue	2,382	1,822	1,306
Shareholders' Net Income	256	187	113
Assets Under Management¹			
Mutual Funds	153,453	143,105	112,204
Managed Funds	67,592	55,803	39,711

Excludes general fund assets of \$1,787, \$1,486 and \$1,285 million in 2000, 1999 and 1998, respectively

During 2000, MFS continued to strengthen its core competency and competitive position in the investment management industry. MFS had 26 funds with a four-or five-star overall rating by Morningstar as of December 31, 2000. These funds accounted for 58% of domestic retail mutual fund assets in MFS. Despite the downturn in the U.S. equity markets in 2000, MFS maintained strong sales momentum across its distribution channels. Net new flows of its domestic retail mutual funds increased by 27% to \$16.6 billion, and based on this measure, MFS was ranked the fifth largest mutual fund company in the U.S. for the year ended December 31, 2000. Assets under management in MFS increased by \$22.1 billion, of which \$31.6 billion was attributable to net sales of mutual and managed funds and \$8 billion was attributable to the appreciation of the U.S. dollar relative to the Canadian dollar. These increases were partially offset by a \$17.4 billion reduction related to the declines in the U.S. equity markets.

In 2000, MFS increased investment in technology to expand and enhance its distribution and e-commerce capabilities to support its sales growth. Management of MFS intends to continue leveraging its investment strength and robust operational infrastructure to increase market share in domestic mutual fund and annuity product lines. In addition, MFS expects to continue expanding its sales opportunities to new markets and new products.

MFS
ASSETS UNDER
MANAGEMENT
(CDN \$ billions)



United Kingdom Operations

The Company's U.K. operations provide wealth management and protection products and services.

The wealth management business includes: i) unit trusts (mutual funds), which are sold primarily to retail investors as individual saving accounts; ii) unit-linked pension products; and iii) pension fund management and banking operations. The protection business is comprised of i) individual insurance including unit-linked life insurance products in which contract holders participate in the performance of various investment funds, and non-participating and participating whole life; and ii) group life and health insurance.

During the year ended December 31, 2000, the U.K. operations contributed \$119 million to the Company's profits, 18% higher than the adjusted 1999 earnings of \$101 million. Revenue declined by \$393 million or 15% compared to 1999, primarily reflecting lower investment income and reduced sales of annuity and participating life products. The U.K. operations represented 15% of the Company's consolidated earnings and 14% of total revenue in 2000.



The Company continues to face significant challenges in its United Kingdom operations. In February 2001, amid an increasingly difficult environment in the United Kingdom, the Company decided to reduce its business profile and exited the direct sales force distribution business in the United Kingdom. The Company will maintain a presence in the United Kingdom to ensure its existing clients continue to be properly serviced and their products are well managed. It will also continue to review the strategic position of its other businesses in the United Kingdom. The discussion of 2000 results below does not reflect the impact of these decisions.

FINANCIAL PERFORMANCE – U.K. OPERATIONS

	Revenue			Shareholders' Net Income ¹		
	2000	1999	1998	2000	1999	1998
Wealth Management	855	1,082	1,055	107	47	73
Protection						
Individual Life	987	1,127	1,135	35	36	(10)
Group Life and Health	418	411	388	27	(22)	(1)
Other	-	33	23	(50)	40	21
Total U.K. Operations	2,260	2,653	2,601	119	101	83

¹ Amounts for periods prior to the Company's demutualization are on an adjusted pro forma basis.

WEALTH MANAGEMENT

In 2000, the Company's wealth management products and services in the United Kingdom were primarily offered to retail and institutional investors through the Company's direct sales force.

Revenue in the Wealth Management business decreased by \$227 million or 21% to \$855 million in 2000. The Company stopped selling low margin annuity products to new customers during the year. Earnings from the wealth management business increased by \$60 million or 128%, compared to the 1999 adjusted net income of \$47 million. This significant increase in earnings was primarily a result of reductions in operating expenses. Assets under management decreased by \$1.4 billion to \$20.6 billion due to market depreciation and the weaker British pound relative to the Canadian dollar.

INDIVIDUAL LIFE

The U.K. individual life insurance business has been primarily focused on unit-linked life products sold principally through a direct sales force.

Revenue in individual life decreased by \$140 million or 12.4%, primarily reflecting lower investment income and reduced sales of participating policies. Earnings for individual life decreased slightly, largely due to the depreciation of the British pound relative to the Canadian dollar. During the year, management continued to focus on profitability improvement and initiated various performance enhancement projects to increase operating efficiency and lower policy administration costs.

GROUP LIFE AND HEALTH

The Company markets and distributes group life and health products in the United Kingdom through independent brokers.

Revenue increased slightly, as sales growth in the group insurance business was largely offset by the unfavourable currency translation impact of \$29 million due to the weaker British pound. The group business earned \$27 million in 2000 compared to a loss of \$22 million in 1999, resulting principally from increased premium revenues, lower expenses and the favourable impact of actuarial assumption changes.

OTHER

Other operations in the U.K. include investment income, asset provisions and expenses not directly associated with the U.K. operating units. For the year ended December 31, 2000, these operations reported \$50 million in losses compared to \$40 million of earnings in 1999. This significant decline in earnings was primarily attributable to expenses from restructuring projects and back office realignment initiatives in 2000 and additional provisions, partially offset by reduction of certain tax provisions for capital gains no longer required.

Asian Operations

The Company's business in Asia is primarily comprised of individual insurance in the Philippines, Hong Kong and Indonesia, and group insurance in the Philippines. The Company also conducts wealth management business in India and the Philippines.

During the year ended December 31, 2000, the Company strengthened its market presence in the Asian region with enhanced product offerings and expanded distribution channels. The Company also relocated its regional head office to Hong Kong to enhance its sales growth and market development activities in the region.

FINANCIAL PERFORMANCE – ASIAN OPERATIONS

(in millions of Canadian dollars)	Revenue			Shareholders' Net Income ¹		
	2000	1999	1998	2000	1999	1998
Total Asian Operations	413	401	344	27	31	30

¹ Amounts for periods prior to the Company's demutualization are on an adjusted pro forma basis

Revenue increased marginally, as the Company's strong sales growth in the region was largely offset by the impact of the depreciation of the Philippine peso relative to the Canadian dollar. The Philippine operations, which accounted for 58% of total insurance premiums in Asia, posted a 54% growth in new sales premiums and a 20% growth in total premiums, both measured in local currency.

Earnings from the Company's insurance operations in Asia increased by \$12 million to \$50 million, reflecting strong performance in the Philippine operations despite the depreciation of the local currency. Total earnings from the Asian operations, however, decreased by \$4 million, primarily attributable to increased expenses related to business development activities in the region.

The Company established a joint venture in India in 1999 through which wealth management products and services are offered. This joint-venture operation has since been growing rapidly and was the third largest private mutual fund company in India in 2000, based on assets under management. As at December 31, 2000, it had \$1.2 billion in assets under management and approximately 335,000 investor accounts.

In 2000, the Company established a wholly-owned mutual fund operation in the Philippines. The Company believes that the Philippines mutual fund industry offers long-term market opportunities with a growing middle class population in that country. The successful launch of its mutual fund operation allowed the Company to quickly capture market share and become a leading mutual fund operator in the Philippines. The Company intends to sell mutual fund products by leveraging its extensive insurance sales network in the Philippines and utilizing independent brokerage firms.

The Company believes that the insurance markets in China and India provide tremendous long-term potential and has been actively pursuing opportunities to launch insurance operations in both countries. The Company was granted approval by the India regulatory authority to enter the India insurance market in February 2001 and expects that it will start selling insurance policies in 2001. In November 2000, the Company entered into a joint-venture agreement in China. This joint-venture life insurance company will commence operations following receipt of required regulatory approvals, expected in 2001.

Other Operations

The Company's Other operations include investments of unallocated capital not deployed by the Company's territorial operations and expenses not allocated to business units. This reporting unit also includes the results of the Company's investment in Cuprum, one of the leading pension fund administrators in Chile. The Company owns a 32% equity interest in Cuprum.

FINANCIAL PERFORMANCE – OTHER OPERATIONS

(in millions of Canadian dollars)	Revenue ¹			Shareholders' Net Income ¹		
	2000	1999	1998	2000	1999	1998
Total Other Operations	46	69	163	(23)	(13)	92

¹ Includes consolidation adjustments of \$174 million in 2000, \$107 million in 1999 and \$130 million in 1998

Amounts for periods prior to the Company's demutualization are on an adjusted pro forma basis



For the year ended December 31, 2000, the Company's Other operations reported losses of \$23 million compared to losses of \$13 million in 1999. The increased losses in 2000 were primarily due to asset provisions and the write-down of the Company's deferred tax assets resulting from the reduction of the Canadian corporate income tax rates, partially offset by increased investment income from higher invested assets in this business line.

Cuprum had total assets under management of \$8.5 billion as at December 31, 2000, compared to \$8.0 billion as at December 31, 1999. The Company's investment in Cuprum contributed \$8 million in earnings (net of goodwill amortization of \$6 million), compared to \$7 million (net of goodwill amortization of \$7 million) in 1999.

DISCONTINUED REINSURANCE OPERATIONS

The Company adopted a formal plan to dispose of its reinsurance operations in December 1999. The Company subsequently sold all of the life retrocession and substantially all of the financial reinsurance lines of its reinsurance business in April 2000. The accident and health ("A&H") reinsurance business, which was not part of the sale, has been discontinued as the Company is no longer writing such business.

During the year 2000, the Company entered into certain settlements in connection with its participation in the A&H treaties created and managed by Unicover Managers, Inc. ("Unicover"). These settlements have significantly reduced the Company's exposure to losses from the Unicover business. The final liabilities of the Company under the Unicover treaties have not yet been determined as certain segments of the Unicover business are still in legal proceedings. Management believes, however, that the final outcome with respect to the Unicover treaties will not have a material adverse effect on the consolidated financial position of the Company.

The Company established after-tax provisions of \$229 million in the fourth quarter of 1999 in anticipation of future losses arising from the A&H reinsurance business, including \$150 million for the Unicover treaties.

Investments

The Company holds a diverse set of portfolios for its asset management, mutual fund, pension, annuity, and trust and banking operations, as well as the Company's general funds. The Company maintains separate investment policies appropriate for each of its different areas of operation. For its general funds, the Company focuses on maintaining high-quality, well-diversified portfolios which are appropriate to its general fund obligations. The investment of the Company's general funds is described below.

INVESTMENT POLICIES

The primary aim of the Company's investment strategy for its general fund assets is to ensure that all investments are properly allocated vis-à-vis its liabilities (asset/liability matching) and that liquidity requirements are properly maintained. The Risk Review Committee of the Board of Directors of the Company regularly reviews and approves investment policies which set prudent standards and procedures for the investment of the Company's assets. These policies include limits for interest rate, credit, equity market, real estate market, liquidity, concentration, currency and derivative risks. Compliance with these policies is monitored and reported by the Company's corporate office on a regular basis. In addition, management is required to advise the Board of Directors annually, in writing, of adherence to these policies.

INVESTMENT PROFILE

The Company had total consolidated general fund invested assets of \$51 billion at December 31, 2000. The investment portfolio is broadly diversified and managed in relation to the nature of the Company's underlying policy obligations. The Company invests the majority of its general funds in medium to long-term fixed income instruments such as bonds and mortgages. The assets supporting equity capital are invested in a broader range of assets including bonds, equity securities, mortgages and real estate, reflecting a management focus on the enhancement of risk-adjusted investment returns.

INVESTMENTS

(in millions of Canadian dollars)

	2000		1999		1998	
	Statement Value	% of Total	Statement Value	% of Total	Statement Value	% of Total
Bonds	27,534	54	25,545	51	26,153	52
Stocks	4,583	9	4,689	9	4,486	9
Mortgages	10,179	20	11,477	23	11,979	24
Real estate	2,327	4	2,403	5	2,440	5
Cash and equivalent investments	3,962	8	3,443	7	2,602	5
Policy loans and other invested assets	2,416	5	2,429	5	2,360	5
Total Carrying Value	51,001	100	49,986	100	50,020	100
Total Market Value	52,977		51,949		54,963	

BONDS

The Company's bond portfolio represented 54% of invested assets compared to 51% in 1999. At December 31, 2000, 77.1% of the bond portfolio was rated "A" or higher and 99.0% was rated "BBB" or higher. The Company's investment approach includes continuous adjustments to the bond portfolio in order to improve yield and quality while ensuring that asset portfolios remain matched to liability requirements. At December 31, 2000, the bond portfolio had a book value of \$27.5 billion and a market value of \$28.8 billion compared with \$25.5 billion and \$26.4 billion at the end of 1999.

At December 31, 2000 and 1999 the Company held \$7.8 billion and \$7.5 billion, respectively, of non-public bonds, which constituted 29.4% and 29.4%, respectively, of the Company's overall bond portfolio. Of such amounts, non-public bonds rated "A" or its equivalent or higher represented 54.9% and 50.3%, respectively, of total non-public bonds, and non-public bonds rated "BBB" or its equivalent or higher represented 97.6% and 98.0%, respectively, of the total non-public bonds at such dates. The Company's bond portfolio is also diversified by country. At December 31, 2000, 35% of the total bond portfolio was invested in Canada, 35% in the U.S. and 22% in the U.K., according to the jurisdiction of the incorporation of issuers.

STOCKS

The Company's equity portfolio represented 9.0% of invested assets compared to 9.4% in 1999. At December 31, 2000, the Company's stock portfolio had a book value of \$4.6 billion and a market value of \$4.6 billion compared with \$4.7 billion and \$5.4 billion at the end of 1999.

The Company's equity portfolio is diversified by country. At December 31, 2000, \$667 million or 14.5% of the Company's equity portfolio related to Canadian issuers, \$1.1 billion or 22.8% to U.S. issuers, \$2.2 billion or 47.8% to U.K. issuers and \$669 million or 14.5% to issuers from other jurisdictions. The portfolio is also well diversified by industry classification and issuer. At December 31, 2000, the issuer representing the largest percentage of the Company's equity portfolio accounted for 4% of the total market value of its equity holdings. The largest industry sector holdings were consumer products and financial services at 32.4% and 18.2%, respectively, of the market value of the Company's consolidated equity holdings.

MORTGAGES

The Company's mortgage portfolio represented 20% of invested assets compared to 23% in 1999. The Company's mortgage portfolio, 40% of which related to real property located in Canada, totaled approximately \$10.2 billion compared to \$11.5 billion at the end of 1999. The decrease in mortgage investments was primarily due to the sale of Sun Life Trust.

The Company invests almost entirely in first mortgages. Generally, the Company does not participate in development lending and does not invest in participating mortgages. While the Company generally requires a maximum loan to value ratio of 75%, the Company may invest in mortgages with a higher loan to value ratio in Canada if the mortgage is insured.

As at December 31, 2000, commercial mortgages accounted for 62% and residential mortgages accounted for 38% of the Company's total mortgage portfolio. Approximately 30% of mortgage loans mature by December 31, 2005. The Company will seek to refinance, as part of its ongoing investment activities, a significant proportion of those mortgages that meet the Company's investment criteria.

The Company is also in the business of origination and management of mortgage investments for institutional clients. This fee-based business allows the Company to leverage its investment expertise and enhance its asset management strength. The Company had \$1.8 billion in managed mortgage assets as at December 31, 2000 compared to \$917 million in 1999.



REAL ESTATE

The Company's real estate portfolio represented 4.6% of invested assets compared to 4.8% in 1999. At December 31, 2000, 39% of the portfolio was located in Canada, 25% in the United Kingdom and 36% in the United States. The Company's real estate portfolio had a carrying value of approximately \$2.3 billion and a market value of approximately \$2.6 billion at December 31, 2000, compared with \$2.4 billion and \$2.7 billion respectively, at the end of 1999.

Commercial office properties are the major component of the real estate portfolio, representing approximately 47% of real estate investments at December 31, 2000. The Company has been reducing the commercial office component of its portfolio and sold its interests in several office properties in Canada in 2000.

The Company actively manages its real estate portfolio, focusing on acquisitions and dispositions, leasing and rehabilitation, and the management of foreclosed properties. The Company is also engaged in the business of advisory and management of third-party properties.

IMPAIRED ASSETS

Total impaired assets, net of specific allowances, amounted to \$123 million, or 0.24% of the Company's invested assets compared to \$117 million, or 0.23% of the Company's invested assets at December 31, 1999.

The Company provided allowances against impaired assets which amounted to \$174 million at December 31, 2000, with \$96 million in specific allowances and \$78 million in general allowances. In addition, the Company had allowances of \$635 million for possible future asset defaults and the related loss of income included in its actuarial reserves as at December 31, 2000 compared with \$593 million in 1999.

The Company took provisions of \$107 million on invested assets compared to \$33 million in 1999. Of total provisions taken in 2000, \$85 million related to bond and mortgage investments in the United States. The 1999 provisions were primarily related to bond investments in the United States. In addition to provisions established for impaired bonds and mortgages, the Company generally takes provisions for securities if a decline in their value is believed to be other than temporary. Provisions are also taken if the full market value of a foreclosed property held for resale falls below its carrying value.

DEFERRED NET REALIZED GAINS AND UNREALIZED GAINS

Deferred net realized gains represent net gains on the sale of invested assets which have not yet been recognized in income. Deferred net realized gains are amortized into future investment income over certain periods of time based on generally accepted accounting methods as outlined in Note 1 to the Consolidated Financial Statements. The Company had \$3.7 billion in deferred net realized gains as at December 31, 2000, of which \$2.7 billion represented net gains on invested assets backing actuarial liabilities and \$1 billion represented net gains on invested assets backing equity capital. Gains on bonds and stocks collectively represented 94% of total deferred net realized gains as at December 31, 2000.

Unrealized gains represent the difference between market value and carrying value of investments, which is not recorded on the Company's balance sheet except with respect to stocks and real estate as described below. The Company had \$2 billion in unrealized gains as at December 31, 2000, unchanged from 1999. Total unrealized gains on bond and mortgage investments increased by \$770 million compared to 1999. This increase was largely offset by the reduced unrealized gains in stocks, reflecting the decline of equity markets. Unrealized gains on investments backing equity capital were approximately \$200 million as at December 31, 2000 compared to approximately \$181 million as at December 31, 1999.

Carrying values for stocks and real estate are determined on a moving average market method of accounting whereby a portion of unrealized gains or losses is included in the carrying value of investments. Consequently, the related amounts are credited to or charged against income.

Financial Position and Liquidity

The Company maintains a strong financial position and an appropriate degree of liquidity to ensure that it is able and well prepared to meet its obligations.

PRINCIPAL SOURCES OF FUNDS

The primary source of funds for the Company is cash provided by operating activities, including premiums, investment management fees and investment income. These funds are used primarily to pay policy benefits, dividends to policyholders, claims, commissions, operating expenses and interest. Net cash flows generated from operating activities are generally limited by required future payment commitments and are used to pay dividends to shareholders. In addition, the Company may raise funds from time to time through borrowing and the issue of securities to finance growth, acquisitions or other needs.

CASH FLOW

(In millions of Canadian dollars)

	2000	1999	1998
Net Cash provided by Operating Activities ¹	2,681	1,711	560
Net Cash provided by (used in) Financing Activities	(159)	432	(184)
Net Cash provided by (used in) Investing Activities	(2,053)	(1,478)	(857)
Cash Flow	469	665	(481)
Changes due to fluctuations in exchange rates	36	(132)	105
Cash and Cash Equivalents, beginning of period	1,998	1,465	1,841
Cash and Cash Equivalents, end of period	2,503	1,998	1,465
Cash, Cash Equivalents and Short-term Securities, end of period	3,962	3,443	2,602

¹ Includes net cash provided by discontinued operations.

Operating cash flows for 2000 were \$2.7 billion, of which \$2.1 billion was used to fund investing activities and \$294 million was used to repay short-term financing used by the Company in 2000. The Company issued 21.6 million new shares in April 2000, as a result of the exercise of the underwriter over-allotment options in connection with the Company's initial public offering. The \$262 million net proceeds from the issue were partially offset by cash expenses of \$76 million related to the Company's demutualization and initial public offering. Shareholder dividends of \$8 million were declared and paid in 2000. As a result, the Company generated a net cash flow of \$469 million in 2000.

During 1999, operating cash flows were \$1.7 billion, of which \$1.5 billion was used for investing activities. The Company borrowed \$432 million in short-term loans to meet certain cash requirements of its subsidiaries. As a result, the Company generated a net cash flow of \$665 million in 1999.

At December 31, 2000, the Company maintained cash, cash equivalents and short-term investments totalling \$4.0 billion compared to \$3.4 billion in 1999. In addition, the Company had available lines of credit in an aggregated amount of \$1.8 billion and had drawn an aggregate of \$340 million as at December 31, 2000.

LIQUIDITY

The Company's primary requirements for liquidity are for payment of benefits and expenses as described above, primarily for obligations and to pay dividends to its shareholders. The Company generally maintains a conservative liquidity position and actively manages its capital requirements taking into matching and the diversification, duration and credit quality of its investments to ensure that it is able to meet its obligations.

Based on historical cash flows and current financial results, management believes that the cash flow from the Company's operating activities will continue to provide sufficient liquidity for the Company to satisfy debt service obligations and to pay other operating expenses.

CAPITAL STRUCTURE

The Company's capital consists of equity and long-term debt, including cumulative capital securities and subordinated debt. Shareholders' equity increased to \$6.6 billion, up \$981 million from the 1999 level of \$5.6 billion on a pro forma basis. The increase was primarily due to the contribution of earnings during the year and the issuance of 21.6 million new shares related to the exercise of the underwriter over-allotment options as described on page 24.

The Company declared \$51 million or \$0.12 per share in shareholder dividends during the fourth quarter of the year. The number of common shares outstanding as at December 31, 2000 was 421.8 million.

The Company's long-term debt remained unchanged during the year, except for movement related to currency fluctuations. The cumulative capital securities of \$900 million (US\$600 million) were issued in U.S. dollars and have no scheduled maturity date. The subordinated debt consists of \$500 million of notes due in 2005, \$224 million (US\$150 million) of notes due in 2007 and \$225 million (US\$150 million) of notes due in 2015.

The debt-to-total capital ratio decreased to 19.8% at December 31, 2000 from 21.4% at December 31, 1999 as a result of the increase in equity capital during the year. The Company is committed to maintaining appropriate levels of leverage to provide both financial flexibility and enhanced return on shareholders' equity.

SHAREHOLDER DIVIDENDS

The Sun Life Financial Services of Canada Inc. intends to pay quarterly dividends to shareholders in a range that is comparable to that of shareholder dividends paid by other publicly traded North American financial services companies. The dividend policy will be reviewed periodically by the Board of Directors and will be dependent upon the Company's earnings, financial condition and capital requirements.

On November 1, 2000, Sun Life Financial Services of Canada Inc. declared the first quarterly shareholder dividend of \$0.12 per share since its shares were listed in March 2000. This quarterly dividend, which was paid on December 31, 2000, represented approximately 75% of the Company's average quarterly earnings in 2000. On February 14, 2001, the second quarterly shareholder dividend of \$0.12 per share was declared, payable on March 31, 2001.

CAPITAL ADEQUACY

The Company has stringent capital policies to ensure that its capital levels are adequately maintained and are in compliance with regulatory requirements in the countries in which it has operations. In Canada, the Company is subject to Minimum Continuing Capital and Surplus Requirements ("MCCSR") established by the Office of the Superintendent of Financial Institutions ("OSFI"). MCCSR represents the ratio of the available capital of a life insurance company to its required capital, a direct measure of the capital adequacy of a company. Under the guidelines of OSFI, the Company is generally expected to maintain a minimum consolidated MCCSR of 150%.

MINIMUM CONTINUING CAPITAL AND SURPLUS REQUIREMENTS

(in millions of Canadian dollars)	2000	1999	1998
Total MCCSR Capital Available			
Shareholders' Equity/Surplus	6,618	5,878	6,081
Long-term Debt ¹	1,589	1,604	1,694
Other	511	408	772
Total	8,718	7,890	8,547
Total MCCSR Capital Required	2,951	3,016	3,005
MCCSR Ratio	295%	262%	284%

¹Includes subordinated debt plus cumulative capital securities. For the purpose of Canadian regulatory capital, the 2000 amount includes only 80% of the principal amount (\$300 million) of the notes due in 2005.

The Company's required capital at December 31, 2000 decreased by \$65 million compared to 1999. The MCCR ratio of the Company increased to 295% from 262% at December 31, 1999. The improved MCCR ratio was due primarily to: i) increased available capital resulting from strong earnings; ii) additional equity capital resulting from the exercise of the underwriter over-allotment options; and iii) lower required capital reflecting the sale of the reinsurance operations.

To assess its capital adequacy and financial strength under adverse conditions, the Company performs Dynamic Capital Adequacy Testing on an annual basis. The process analyzes the Company's potential future financial condition over a five-year period by reviewing the impact of a variety of adverse business scenarios which include declining interest rates and stock market performances, worsening mortality and morbidity rates, and increased expenses. The results of the testing completed in 2000 confirmed the Company's financial strength and its ability to withstand significant adversity.

Risk Management

The Risk Review Committee of the Board of Directors is responsible for: i) ensuring that the major areas of risk of the business activities of the Company are identified and reviewed by management; and ii) approving, and reviewing compliance with, the policies implemented by the Company for the management and control of risk.

The Company has developed an enterprise-wide risk management framework to augment the management of risk within major operating areas and business units. The framework is designed to improve the ability of senior management to identify and manage certain business risks across the organization and to enhance the ability of the Company to achieve consistent risk management in all business units. The framework includes the appointment of a chief risk officer responsible for the development and maintenance of risk policies, the formulation of risk tolerance limits, the measurement and exception reporting against both, and the development and reporting of the Company's aggregate risk profile to management and the Board of Directors.

ASSET/LIABILITY MANAGEMENT

The objective of the Company's asset/liability management policy is to maximize long-term economic value subject to risk tolerance and constraints. The Company's insurance liabilities are segmented according to major product type with investment guidelines established for each segment. Asset mix, asset quality, liquidity and interest rate exposure are regularly measured and compared to policy objectives and liability requirements for each product type.

To control **interest rate risk** (the risk of economic loss arising from changes in interest rates and the cash flow impact of these changes on investments), the Company has instituted a matching policy for each portfolio of assets and associated liabilities in order to keep potential losses within acceptable limits. The primary approach for interest-sensitive business lines (primarily individual and group annuities) is management of the "duration gap" of assets and liabilities. Duration gap analysis measures the sensitivity of assets, liabilities and off-balance sheet instruments to changes in the level of interest rates. Specifically, the Company employs a "key rate duration" technique that examines the duration gap of assets and liabilities at discrete points on the yield curve. These gaps are managed within specified tolerance limits.

To control **market risk** (the risk of financial losses due to adverse changes in market prices), the Company's exposure to these market risks is contained through established control points or tolerance limits. Stock holdings are diversified by industry type and by corporate entity while real estate holdings are diversified by location and property type. In addition, the effect of potential adverse market movements is regularly monitored through Dynamic Capital Adequacy Testing and other portfolio stress testing techniques.



CLAIMS RISK MANAGEMENT

To control **claims risk** (the risk of incurring higher than anticipated mortality and morbidity claim losses on any one policy or group of policies), the Company follows detailed, uniform underwriting procedures to determine the insurability of applicants and manages its exposure to large claims. Underwriting requirement limits are regularly scrutinized against industry standards to stay abreast of industry trends.

The Company evaluates each policy application from every distributor separately, and every policy is underwritten on its own merits. Group insurance policies are underwritten prior to the issue of the policy and again at each renewal. The Company's group insurance underwriting is driven by risk selection, plan design and rating techniques.

The risk policies approved by The Board of Directors include limits on the maximum amount of insurance that may be issued and the maximum amount that may be retained. These limits vary by geographic region. In the U.S., the maximum amount of risk retained by the Company on any one life, at policy issuance, is US\$ 7 million and US\$ 10 million for any pair of lives insured under a joint life and last-to-die policy. Policies of up to US\$ 15 million may be issued if the amounts exceeding these limits are reinsured with acceptably rated reinsurance companies. Any policies which exceed US\$ 15 million require approval of a senior executive and are reported to the Board of Directors annually.

PRICING RISK

To control **pricing risk** (the risk that the actual experience with a product will not develop as estimated in pricing that product as a result of uncertainty concerning future investment yields, mortality and morbidity experience, expenses, rates of policy termination and taxes, etc.), the Company sets standards and guidelines that address pricing methods and assumptions, profit margin objectives, required scenario analysis documentation and pricing approval processes. The pricing risk management process includes completion of an annual compliance self-assessment by all business units and the internal audit of business unit pricing on a rotating basis.

CREDIT RISK MANAGEMENT

To control **credit risk** associated with fixed income and equity investments, the Company utilizes detailed credit and underwriting policies, comprehensive due diligence, and aggregate counter-party exposure limits within fixed income and equity portfolios. Provisions for impaired assets are charged against the carrying value of the asset. Allowances for possible future asset defaults are also provided through actuarial reserves.

LIQUIDITY RISK MANAGEMENT

To control **liquidity risk** (the ability of the Company to meet its obligations to policyholders and other creditors), the Company maintains, on a consolidated basis and as a matter of policy, liquefiable assets equal to at least 100% of all liabilities payable on demand. In addition, minimum levels of cash and money market investments as a percentage of total investment assets are maintained both on a consolidated level and within each national operation. Standby credit facilities are also maintained with a variety of banks throughout the world. Separate investment guidelines are maintained within each product line, with liquidity management taking into account the particular liquidity needs of each product line.

CONCENTRATION RISK MANAGEMENT

To control **concentration risk** (the risk of major losses resulting from an overexposure of investments to a single entity, group of related entities or industry segment), the Company's investment guidelines establish limits on the level of investment which can be made in any single entity or group of related entities and these limits are reviewed and amended, as necessary, at least annually. These limits are consolidated across all investment types to capture total exposure to any single borrower or investment. On a broader industry segment approach, the Company's investment guidelines also require that the risk levels of the various investment sectors be continuously monitored with allocations adjusted accordingly.

FOREIGN CURRENCY RISK MANAGEMENT

To control **foreign currency risk** (the risk of loss resulting from changes in currency exchange rates), the Company's assets and liabilities held in each of the jurisdictions in which the Company conducts business are predominantly denominated in local currencies. This approach, together with the requirement for the Company's non-Canadian operations to function on a self-sustaining basis, provides an effective operational hedge against currency fluctuations. Foreign exchange controls imposed by jurisdictions in which the Company carries on business do not have a material impact on the Company's business or operations.

DERIVATIVE RISK MANAGEMENT

As part of its asset/liability management program, the Company uses derivative instruments, including swaps, financial futures, options and forward contracts, to manage risks associated with currency, interest rate and stock market fluctuations. Guidelines for the use of derivatives specifically prohibit the use of derivative strategies that increase risks beyond the limits established for direct investments.

All hedging instruments utilized by the Company are marked to market on a monthly basis, with all derivative positions reported quarterly to the Board of Directors. Each derivative position is monitored as to its purpose and as to whether it is still required for hedging purposes.

The Company generally enters into derivative contracts only with counter-parties rated AA or better. In limited circumstances, the Company will enter into transactions with lower rated counter-parties if the counter-party obligation can be fully collateralized or if other credit enhancement features are included.

At December 31, 2000, the Company had \$7.3 billion notional amount of derivatives outstanding constituting a credit risk equivalent amount of \$290 million. At December 31, 1999, these amounts were \$8.0 billion and \$413 million, respectively.

OPERATIONAL RISK MANAGEMENT

To control **operational risk** (arising from errors, inefficiencies or a lack of effectiveness of people, processes or systems), the Company has specific policies and guidelines for each business environment in which it is engaged.

The Company's human resources department seeks to ensure that effective people are placed in key positions. Ongoing training through internal and external programs is designed to prepare staff at all levels for the demands of their positions. Operating and reporting processes are reviewed and updated regularly, with monitoring completed on a yearly basis by the internal audit group. Information systems and technology are reviewed regularly and upgraded where necessary.

The Company maintains a comprehensive insurance program which reviews and provides protection against potential losses. This program may include moderate levels of self insurance. The Company maintains appropriate insurance both on properties that it owns and those securing its mortgage investments.

The Company's environmental risk management program is designed to ensure compliance with applicable laws and to protect investment assets from losses due to environmental problems. The senior investment officer in each national office is responsible for developing the local environmental policy in conjunction with the corporate office.



Financial Reporting Responsibilities

Management is responsible for preparing the consolidated financial statements. This responsibility includes selecting appropriate accounting policies and making estimates and other judgements consistent with Canadian generally accepted accounting principles including the requirements of the Office of the Superintendent of Financial Institutions Canada. It also includes ensuring the use of appropriate accounting policies and estimates in the disclosure of the information which was prepared following accounting principles generally accepted in the United States of America. The financial information presented elsewhere in the annual report to shareholders is consistent with these statements.

The Board of Directors oversees management's responsibilities for financial reporting. An Audit Committee of non-management directors is appointed by the Board to review the financial statements and report to the directors prior to their approval of the financial statements for issuance to shareholders.

Management is also responsible for maintaining systems of internal control that provide reasonable assurance that financial information is reliable, that all financial transactions are properly authorized, that assets are safeguarded, and that Sun Life Financial Services of Canada Inc. and its subsidiaries, collectively referred to as "the Company", adhere to legislative and regulatory requirements. These systems include the communication of policies and the Company's code of ethics and business conduct throughout the organization. Internal controls are reviewed and evaluated by the Company's internal auditors.

The Audit Committee also conducts such review and inquiry of management and the internal and external auditors as it deems necessary towards establishing that the Company and its subsidiaries are employing appropriate systems of internal control, are adhering to legislative and regulatory requirements and are applying the Company's code of ethics and business conduct. Both the internal and external auditors have full and unrestricted access to the Audit Committee, with and without the presence of management.

The Office of the Superintendent of Financial Institutions Canada conducts periodic examinations of the Company and its Canadian subsidiaries. These examinations are designed to evaluate compliance with provisions of the Insurance Companies Act of Canada and to ensure that the interests of policyholders, depositors and the public are safeguarded. The Company's foreign operations and foreign subsidiaries are examined by regulators in their local jurisdictions.

The Appointed Actuary, who is a member of management, is appointed by the Board to discharge the various actuarial responsibilities required under the Insurance Companies Act of Canada, and conducts the valuation of the Company's actuarial liabilities. The role of the Appointed Actuary is described in more detail in Note 2 on page 39. The report of the Appointed Actuary appears on page 75.

The Company's external auditors, Deloitte & Touche LLP, Chartered Accountants, conduct an independent examination of the financial statements and meet separately with both management and the Audit Committee to discuss the results of their examination. The auditors' report to the shareholders appears on page 75.

D.A. Stewart
Chairman and Chief Executive Officer

P.W. Derksen
Executive Vice-President and Chief Financial Officer

Toronto, February 14, 2001

Consolidated Statements of Operations

Years ended December 31 (in millions of Canadian dollars, except for per share amounts)	2000	1999	1998
REVENUE			
Premium income:			
Annuities	\$ 4,371	\$ 3,494	\$ 2,409
Life insurance	3,455	3,332	3,313
Health insurance	1,287	1,196	1,110
	9,113	8,022	6,832
Net investment income (Note 25)	3,776	4,113	4,035
Fee income	3,317	2,606	2,014
	16,206	14,741	12,881
POLICY BENEFITS AND EXPENSES			
Payments to policyholders, beneficiaries and depositors:			
Maturities and surrenders	2,267	2,864	3,029
Annuity payments	1,076	923	913
Death and disability benefits	1,048	1,005	1,036
Health benefits	1,041	980	857
Policyholder dividends and interest on claims and deposits	1,040	1,206	1,164
	6,472	6,978	6,999
Net transfers to segregated funds	2,562	2,327	1,493
Increase in actuarial liabilities (Note 16)	1,867	1,004	480
Commissions	1,349	1,146	936
Operating expenses (Note 26)	2,500	2,286	2,033
Premium taxes	116	87	82
Interest expense (Notes 20, 21, and 22)	159	161	182
	15,025	13,989	12,205
OPERATING INCOME BEFORE INCOME TAXES	1,181	752	676
Income taxes (Note 27)	379	418	274
NET OPERATING INCOME	802	334	402
Confederation Life goodwill write-off (Note 15)	-	-	260
NET INCOME FROM CONTINUING OPERATIONS	802	334	142
Loss for discontinued operations, net of income taxes (Note 5)	-	170	88
TOTAL NET INCOME	802	164	54
Less:			
Net income from mutual operations (prior to demutualization)	179	164	54
Participating policyholders' net income (loss) (after demutualization)	(6)	-	-
SHAREHOLDERS' NET INCOME (AFTER DEMUTUALIZATION)	\$ 629	\$ -	\$ -
Basic earnings per share from March 22 to December 31, 2000 (Note 24)	\$ 1.49		
Adjusted earnings per share from January 1 to December 31, 2000 (Note 24)	\$ 1.90		

The attached notes form part of these consolidated financial statements



Consolidated Balance Sheets

As at December 31 (in millions of Canadian dollars)

	2000	1999
ASSETS		
Bonds (Notes 7, 9 and 12)	\$ 27,534	\$ 25,545
Mortgages (Notes 9 and 12)	10,179	11,477
Stocks (Notes 7 and 9)	4,583	4,689
Real estate (Note 9)	2,327	2,403
Cash, cash equivalents and short-term securities	3,962	3,443
Policy loans and other invested assets	2,416	2,429
Invested assets	51,001	49,986
Other assets (Note 15)	4,801	4,765
Total general fund assets	<u>\$ 55,802</u>	<u>\$ 54,751</u>
Segregated funds net assets	<u>\$ 48,741</u>	<u>\$ 46,014</u>
LIABILITIES AND EQUITY		
Actuarial liabilities and other policy liabilities (Note 16)	\$ 35,022	\$ 34,295
Amounts on deposit	3,864	5,260
Deferred net realized gains (Note 8)	3,725	3,356
Other liabilities (Note 19)	4,845	4,358
Total general fund liabilities	47,456	47,269
Subordinated debt (Note 21)	749	734
Cumulative capital securities of a subsidiary (Note 22)	900	870
Total equity	6,697	5,878
Total general fund liabilities and equity	<u>\$ 55,802</u>	<u>\$ 54,751</u>
Segregated funds contract liabilities	<u>\$ 48,741</u>	<u>\$ 46,014</u>

The attached notes form part of these consolidated financial statements

Approved on behalf of the Board of Directors

D.A. Stewart
Chairman and Chief Executive Officer

R.W. Osborne
Director

Consolidated Statements of Equity

Years ended December 31 (in millions of Canadian dollars)	PARTICIPATING POLICYHOLDERS			2000	1999	1998
	SURPLUS	SHAREHOLDERS				
COMMON STOCK						
Balance, beginning of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
New common shares issued (Notes 3 and 23)	-	-	844	844	-	-
Commissions and offering costs, net of taxes (Notes 3 and 23)	-	-	(49)	(49)	-	-
Balance, end of year	-	-	795	795	-	-
RETAINED EARNINGS/SURPLUS						
Balance, beginning of year	5,489	-	-	5,489	5,325	5,271
Demutualization costs, net of taxes (Note 3)	(114)	-	-	(114)	-	-
Net income as a mutual company	179	-	-	179	164	54
Balance as at demutualization	5,554	-	-	5,554	5,489	5,325
Transfers to shareholders' equity	(5,353)	-	5,353	-	-	-
Transfers to participating policyholders' accounts (Note 3)	-	84	(84)	-	-	-
Cash distribution to policyholders at demutualization	(201)	-	(369)	(570)	-	-
Net income (loss) as a stock company	-	(6)	629	623	-	-
Dividends paid to shareholders	-	-	(51)	(51)	-	-
Balance, end of year	-	78	5,478	5,556	5,489	5,325
CURRENCY TRANSLATION ACCOUNT						
Balance, beginning of year	389	-	-	389	756	444
Changes for the year (prior to demutualization)	(20)	-	-	(20)	(367)	312
Transfers to shareholders' equity on demutualization	(369)	-	369	-	-	-
Changes for the year (after demutualization)	-	1	(24)	(23)	-	-
Balance, end of year	-	1	345	346	389	756
Total equity	\$ -	\$ 79	\$6,618	\$6,697	\$5,878	\$6,081

The attached notes form part of these consolidated financial statements



Consolidated Statements of Cash Flows

Years ended December 31 (in millions of Canadian dollars)

	2000	1999	1998
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Net income from continuing operations	\$ 802	\$ 334	\$ 142
Items not affecting cash:			
Increase in actuarial and other policy related liabilities	1,757	1,356	717
Amortization of:			
Net deferred realized and unrealized gains on investments	(543)	(620)	(556)
Goodwill and deferred acquisition costs	283	252	196
Write-off of Confederation Life goodwill	-	-	260
Future income taxes	82	79	74
Provisions for losses on investments	104	30	(16)
Other changes in other assets and liabilities	578	642	172
New mutual fund business acquisition costs capitalized	(405)	(409)	(463)
Net cash provided by operating activities	<u>2,658</u>	<u>1,664</u>	<u>526</u>
CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES			
Borrowed funds	(294)	432	(184)
Payments to certain participating policyholders and underwriters at demutualization (Note 3)	(658)	-	-
Issuance of common shares (Notes 3 and 23)	844	-	-
Dividends paid to shareholders	(51)	-	-
Net cash provided by (used in) financing activities	<u>(159)</u>	<u>432</u>	<u>(184)</u>
CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES			
Sales, maturities and repayments of:			
Bonds	9,604	10,188	13,201
Mortgages	1,566	2,506	2,073
Stocks	3,807	2,721	2,593
Real estate	378	221	172
Purchases of:			
Bonds	(11,848)	(10,695)	(13,976)
Mortgages	(1,771)	(2,877)	(2,303)
Stocks	(3,190)	(2,458)	(1,686)
Real estate	(282)	(230)	(239)
Policy loans	(46)	(75)	(98)
Short-term securities	(461)	(475)	(74)
Other investments	30	(321)	(350)
Acquisitions (Note 14)	-	(43)	(170)
Disposals (Note 14)	160	60	-
Net cash used in investing activities	<u>(2,053)</u>	<u>(1,478)</u>	<u>(857)</u>
Net cash provided by discontinued operations	23	47	34
Changes due to fluctuations in exchange rates	36	(132)	105
Increase (decrease) in cash and cash equivalents	505	533	(376)
Cash and cash equivalents, beginning of year	1,998	1,465	1,841
Cash and cash equivalents, end of year	2,503	1,998	1,465
Short-term securities, end of year	1,459	1,445	1,137
Cash, cash equivalents and short-term securities, end of year	<u>\$ 3,962</u>	<u>\$ 3,443</u>	<u>\$ 2,602</u>
Supplementary Information (Additional supplemental cash flow information is included in the notes)			
Cash and cash equivalents:			
Cash	\$ 476	\$ 698	\$ 622
Cash equivalents	2,027	1,300	843
	<u>\$ 2,503</u>	<u>\$ 1,998</u>	<u>\$ 1,465</u>

The attached notes form part of these consolidated financial statements

Consolidated Statements of Changes in Segregated Funds Net Assets

Years ended December 31 (in millions of Canadian dollars)	2000	1999	1998
ADDITIONS TO SEGREGATED FUNDS			
Deposits:			
Annuities	\$ 6,860	\$ 4,000	\$ 4,210
Life insurance	1,458	137	135
	<u>8,318</u>	<u>4,137</u>	<u>4,345</u>
Net transfers from general funds	2,562	2,327	1,493
Net realized and unrealized gains (losses)	(2,670)	7,354	4,048
Other investment income	1,331	1,144	1,106
	<u>9,541</u>	<u>14,962</u>	<u>10,992</u>
DEDUCTIONS FROM SEGREGATED FUNDS			
Payments to policyholders and their beneficiaries	6,506	5,013	4,246
Management fees	552	465	390
Taxes and other expenses	33	104	96
Effect of changes in currency exchange rates	(277)	2,579	(2,434)
	<u>6,814</u>	<u>8,161</u>	<u>2,298</u>
Net additions to segregated funds for the year	2,727	6,801	8,694
Segregated funds net assets, beginning of year	46,014	39,213	30,519
Segregated funds net assets, end of year	<u>\$ 48,741</u>	<u>\$ 46,014</u>	<u>\$ 39,213</u>

Consolidated Statements of Segregated Funds Net Assets

As at December 31 (in millions of Canadian dollars)	2000	1999
ASSETS		
Stocks	\$ 42,225	\$ 40,978
Bonds	5,146	3,599
Cash, cash equivalents and short-term securities	1,412	1,229
Real estate	817	748
Mortgages	338	328
Other assets	648	244
	<u>50,586</u>	<u>47,126</u>
LIABILITIES	<u>1,845</u>	<u>1,112</u>
Net assets applicable to segregated funds policyholders	<u>\$ 48,741</u>	<u>\$ 46,014</u>

Form part of these consolidated financial statements.



Notes to the Consolidated Financial Statements

(Amounts in millions of Canadian dollars)

1. Accounting Policies

DESCRIPTION OF BUSINESS

Sun Life Financial Services of Canada Inc., a publicly traded company, is the holding company of Sun Life Assurance Company of Canada. Sun Life Assurance Company of Canada was organized as a mutual life insurance company until March 22, 2000, at which date it demutualized as described in Note 3. Both companies are registered under the Insurance Companies Act of Canada, which is administered by the Office of the Superintendent of Financial Institutions Canada.

Sun Life Financial Services of Canada Inc. together with its wholly-owned consolidated subsidiary Sun Life Assurance Company of Canada (Sun Life Assurance) are collectively referred to as "Sun Life Financial" or "the Company". The Company is an internationally diversified financial services organization providing savings, retirement and pension products, and life and health insurance to individuals and groups through its operations in Canada, the United States, the United Kingdom and Asia. The Company also operates mutual fund, investment management, banking and trust businesses, primarily in Canada, the United States and the United Kingdom.

BASIS OF PRESENTATION

For financial statement purposes, the assets, liabilities, surplus and results of operations of Sun Life Assurance have been presented in the consolidated statements of Sun Life Financial on a continuity of interest basis as a continuation of the historical operations of Sun Life Assurance. Therefore, the assets, liabilities, surplus, results of operations and cash flows included in these Consolidated Financial Statements prior to demutualization are those of Sun Life Assurance.

The Company prepares its Consolidated Financial Statements according to Canadian generally accepted accounting principles (GAAP) including the requirements of the Office of the Superintendent of Financial Institutions Canada.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect:

- the reported amounts of assets and liabilities at the date of the financial statements,
- the disclosure of contingent assets and liabilities at the date of the financial statements, and
- the reported amounts of revenues, policy benefits and expenses during the reporting period.

Actual results could differ from those estimates.

The significant accounting policies used in the preparation of these Consolidated Financial Statements are summarized below.

BASIS OF CONSOLIDATION

The Consolidated Financial Statements reflect the accounts of the Company which include life insurance and non-life insurance subsidiaries. Significant intercompany balances and transactions have been eliminated. The purchase method is used to account for the acquisition of subsidiaries. The difference between the acquisition cost of a subsidiary and the fair value of the net identifiable assets acquired represents goodwill. Other entities over which the Company is able to exercise a significant influence are reported on the equity basis. The Company's share of earnings of such entities is reported in net investment income in the Consolidated Statements of Operations.

BONDS AND MORTGAGES

Bonds and mortgages are carried at amortized cost, net of allowances for losses. Purchase premiums or discounts on bonds are amortized on a constant yield basis over the life of the particular securities.

Asset-backed securities are carried at cost and adjusted for unamortized premiums and discounts. Unamortized premiums and discounts are amortized on a constant yield basis over the estimated remaining term of the securities adjusted for anticipated prepayments.

A bond or mortgage is classified as impaired when payment is 90 days past due, foreclosure or power of sale procedures have started, or as other circumstances warrant. When an asset is classified as impaired, allowances for losses are established, interest is no longer accrued and previous interest accruals are reversed. When this happens, the carrying value of the asset becomes the net present value of its future estimated cash flows. Allowances for losses against bonds and mortgages are charged against net investment income and are reduced by write-offs of specific investments and recoveries. Allowances are reduced once the conditions causing the impairment improve and future payments are reasonably assured. The invested asset is then no longer classified as impaired.

Management also establishes general allowances for classes of assets when there is concern about the ultimate collection of principal or interest. The Company's actuarial liabilities include additional provisions for possible future asset losses.

Realized gains and losses on the sales of bonds and mortgages are deferred and amortized into net investment income on a constant yield basis over the remaining period to maturity.

STOCKS

Stocks are originally recorded at cost and the carrying value is adjusted annually by 15% of the difference between market value and previously adjusted carrying value.

Realized gains and losses on sales of stocks are deferred and amortized into net investment income at the annual rate of 15% of the unamortized balance.

REAL ESTATE

Real estate includes real estate held for investment and real estate held for sale.

Real estate held for investment: Real estate held for investment is originally recorded at cost. The carrying value is adjusted annually by 10% of the difference between market value and previously adjusted carrying value. Realized gains and losses on sales are deferred and amortized into net investment income at the annual rate of 10% of the unamortized balance.

Market value is determined for each property by qualified appraisers. Appraisals are obtained annually for high value properties and at least once every three years for other properties. The Company monitors the values of these properties to ensure that, in aggregate, the carrying values used are not in excess of market values and records a write down for any non-temporary decline in value.

Real estate held for sale: Properties held for sale are usually acquired through foreclosure. They are carried at the lower of the carrying value of the foreclosed loan or the estimated net sales proceeds of the particular property. The Company estimates the net sales proceeds using independent appraisals or discounted future cash flow analyses. Gains and losses on sales of these properties are recorded in net investment income immediately.

DERIVATIVE FINANCIAL INSTRUMENTS

The Company uses derivative instruments, including interest rate swaps, swaptions, currency swaps, financial futures, options and forward contracts, to manage risks associated with currency, interest rate and stock market fluctuations. The Company's monitoring policies are described in Note 31.

Realized and unrealized gains and losses on derivative instruments are recognized in income on a basis consistent with the underlying assets or liabilities.

POLICY LOANS

Policy loans are carried at their unpaid balance and are fully secured by the policy values on which the loans are made.

CASH, CASH EQUIVALENTS AND SHORT-TERM SECURITIES

Cash equivalents are highly liquid investments with a term to maturity of less than three months. Short-term securities are highly liquid investments with a term to maturity exceeding three months but less than one year. They are carried at amortized cost.

OTHER INVESTED ASSETS

Other invested assets include the Company's investment in segregated funds, investments accounted for by the equity method and equipment leases.

DEFERRED ACQUISITION COSTS

Deferred acquisition costs arise on mutual fund sales and are amortized over the periods of the related sales charges, which range from three to seven years.

Actuarial liabilities implicitly include acquisition costs on insurance and annuity product sales. The effect is to recognize these expenses over the premium paying period.

GOODWILL

Goodwill represents the excess of the cost of businesses acquired over the fair value of their net identifiable assets and is amortized on a straight-line basis over varying periods, up to 20 years. The Company periodically evaluates the carrying amount of goodwill and it is written down when judged to be impaired.

CAPITAL ASSETS

Furniture, computers, other equipment and leasehold improvements are carried at cost less accumulated depreciation and amortization. Depreciation and amortization are recorded on a straight-line basis over the estimated useful lives of these assets, which generally range from two to ten years.

SEGREGATED FUNDS

Segregated funds are lines of business in which the Company issues a contract where the benefit amount is directly linked to the market value of the investments held in the particular segregated fund. Although the underlying assets are registered in the name of the Company and the segregated fund contract holder has no direct access to the specific assets, the contractual arrangements are such that the segregated fund policyholder bears the risk and rewards of the fund's investment performance. In addition, certain individual contracts have guarantees from the Company.

Segregated fund assets are carried at fair value. Fair values are determined using quoted market values or, where quoted market values are not available, estimated fair values as determined by the Company. Segregated fund assets may not be applied against liabilities that arise from any other business of the Company.

The investment results of the segregated funds are reflected directly in segregated fund liabilities. Deposits to segregated funds are reported as increases in segregated fund liabilities and are not reported as revenues in the Consolidated Statements of Operations.

The Company derives only fee income from segregated funds. Fee income includes fund management fees, income earned by the Company on capital invested in the funds as well as mortality, policy administration and surrender charges on segregated funds. Changes in the Company's interest in the segregated funds, including undistributed net investment income, are reflected in net investment income. Separate consolidated financial statements are provided for the segregated funds net assets and the changes in net assets.

AMOUNTS ON DEPOSIT

Amounts on deposit represent premiums paid in advance, reinvested policy dividends and customer deposits in the Company's banking and trust subsidiaries.

INCOME TAXES

The income tax expense consists of both an expense for current income taxes and an expense for future income taxes. Current income tax expense (recoverable) represents the expected payable (receivable) resulting from the current year's operations. Future income tax expense (recoverable) represents the movement during the year in the cumulative temporary differences between the carrying value of the Company's assets and liabilities on the balance sheet and their values for tax purposes. Future income tax assets are recognized to the extent that they are more likely than not to be realized.

Income tax liabilities and assets are calculated based on income tax rates and laws that, at the balance sheet date, are expected to apply when the liability or asset is realized, which are normally those enacted or considered substantially enacted at the Consolidated Balance Sheets dates.

In determining the impact of taxes, the Company is required to comply with the standards of both the Canadian Institute of Actuaries and the Canadian Institute of Chartered Accountants. Actuarial standards require that the projected timing of all cash flows associated with policy liabilities, including income taxes, be included in the determination of actuarial liabilities under the policy premium method.

The actuarial liabilities are first computed including all related income tax effects on a discounted basis, including the effects of temporary differences that have already occurred. Future income tax assets and/or liabilities arising from temporary differences that have already occurred are computed without discounting. The undiscounted future income tax assets and/or liabilities are reclassified from the actuarial liabilities to future income taxes on the balance sheets. The net result of this reclassification is to leave the discounting effect of the future income taxes in the actuarial liabilities.

PREMIUM INCOME AND RELATED EXPENSES

Gross premiums for all types of insurance contracts, and contracts with limited mortality or morbidity risk, are generally recognized as revenue when due. When premiums are recognized, actuarial liabilities are computed, with the result that benefits and expenses are matched with such revenue.

FOREIGN CURRENCY TRANSLATION

The Company's translation of foreign currency arises from the conversion of its self-sustaining foreign operations. Revenues and expenses in foreign currencies, including amortized gains and losses on foreign investments, are translated into Canadian dollars at an average of the market exchange rates during the year. Assets and liabilities are translated into Canadian dollars at market exchange rates at the end of the year. The net translation adjustment is reported as a separate item in the Consolidated Statements of Equity.

EMPLOYEE FUTURE BENEFITS

Pension costs related to current service are charged to income as services are rendered. Based on management's best estimate assumptions, actuarial valuations of the pension obligations are determined using the projected benefit method prorated on service. The estimated present value of post-retirement health care and life insurance benefits is charged to income over the employees' years of service to the date of eligibility. For the purpose of calculating the expected return on pension plan assets, a market related asset value is used which recognizes asset gains and losses emerging after January 1, 2000 over a five-year period. Any transition adjustments, as well as future adjustments arising from plan amendments, are amortized to income over the estimated average remaining service life of the members covered by the plan. Only future variations in actuarial estimates in excess of certain minimums will be amortized.

2. Actuarial Policies

Actuarial liabilities and other policy liabilities, including policy benefits payable and provision for policyholder dividends, are computed using generally accepted actuarial practice in accordance with the standards established by the Canadian Institute of Actuaries as well as the requirements of the Office of the Superintendent of Financial Institutions Canada.

Actuarial liabilities and other policy liabilities represent the estimated amounts which, together with estimated future premiums and net investment income, will provide for outstanding claims, future benefits, policyholders' dividends, taxes (other than income taxes) and expenses on in-force policies.

In calculating actuarial liabilities and other policy liabilities, assumptions must be made about the timing and amount of many events, including death, disability, investment, inflation, policy termination, expenses, taxes, premiums, commissions and policyholder dividends.

The Company uses best estimate assumptions for expected future experience. Uncertainty is inherent in the process, as no one can accurately predict the future. Additional provisions are included in the actuarial liabilities to provide for possible adverse deviations from the best estimates. Each assumption includes a margin that must lie within a range prescribed by actuarial standards. The actual size of each margin is determined with respect to product characteristics, distribution system, and management practices. If the assumption is more susceptible to change or if the actuary is less certain about the underlying best estimate assumption, a larger margin is used.

Many assumptions relate to events that may occur many years into the future and may require subsequent revision. With the passage of time and resulting reduction in estimation risk, the provisions may be released into income.

Reinsurance is used to limit exposure to large losses on life and disability products. The Board of Directors approves the Company's individual life insurance retention policy and limits. Arrangements are placed with well-established, highly rated reinsurers. Coverage is well diversified, with no significant concentration in any one reinsurer. Actuarial liabilities are shown net of ceded reinsurance. Although reinsurance arrangements provide for the recovery of claims arising from the liabilities ceded, the Company retains primary responsibility to the policyholders.

The significant actuarial policies and assumptions are summarized below.

MORTALITY

Mortality refers to the rate at which death occurs for a defined group of people. Insurance mortality is generally based on the Company's average five-year experience. For annuities, Company experience is combined with industry experience since the Company's own experience is insufficient to be statistically reliable. Assumptions are adjusted for mortality improvements of annuitants.

MORBIDITY

Morbidity refers to the disability rate for a defined group of people. Most of the Company's disability insurance is marketed on a group basis. In Canada, morbidity assumptions are based on the Company's five-year average experience, modified to reflect the trend in recovery rates. In the United States and the United Kingdom, both industry and Company experience is used because the Company's own experience is not sufficient to set a reliable assumption.

INVESTMENT RETURN

The Company maintains distinct asset portfolios for each line of business. To ensure the adequacy of assets backing the liabilities, the Company does cash flow testing using a set of plausible future interest rates and economic environments. In each test, asset and liability cash flows are projected. Net cash flows are invested in new assets, if positive, or assets are sold to meet cash needs, in accordance with the assumptions in the test and the Company's investment policies. Whenever needed, specific assumptions are made for cyclical credit risks that exceed the long-term expectation. The reserve is set to satisfy liability commitments under all cash flow projections examined. Deferred net realized gains are taken into account in establishing the reserve level.

POLICY LAPSE RATES

Policyholders may allow their policies to lapse by choosing not to continue to pay premiums. Assumptions for lapse experience on life insurance are based on the Company's average five-year experience. Lapse rates vary by plan, age at issue, method of premium payment and policy duration. For universal life contracts, it is also necessary to set assumptions about premium cessation occurring prior to termination of the policy. Studies prepared by industry or actuarial bodies are used for certain products where the Company's experience is too limited to be statistically valid.

OPERATING EXPENSES AND INFLATION

Actuarial liabilities provide for future policy-related expenses. These include the costs of premium collection, claims adjudication and processing, actuarial calculations, preparation and mailing of policy statements and related indirect expenses and overhead. Expense assumptions are based upon recent Company experience using an internal expense allocation methodology. The increases assumed in future expenses are consistent with the inflation rate used in the cash flow testing.

PROVISION FOR POLICYHOLDER DIVIDENDS

An amount equal to the policyholder dividends expected to be allotted to policyholders over the next twelve months is shown as a provision for policyholder dividends. Actuarial liabilities provide for the payment of future policyholder dividends beyond the next twelve months. Both liabilities are determined taking into account the scale of dividends approved by the Company's Board of Directors and the expectation that future dividends will be adjusted to reflect future experience.

ROLE OF THE APPOINTED ACTUARY

The Appointed Actuary is appointed by the Company's Board of Directors and is responsible for ensuring that the assumptions and methods used in the valuation of policy liabilities are in accordance with accepted actuarial practice, applicable legislation and associated regulations or directives.

The Appointed Actuary is required to provide an opinion regarding the appropriateness of the policy liabilities at the balance sheet date to meet all obligations to policyholders of the Company. Examination of supporting data for accuracy and completeness and analysis of Company assets for the ability to support the amount of policy liabilities are important elements of the work required to form this opinion.

The Appointed Actuary is required each year to analyze the financial condition of the Company and prepare a report for the Board of Directors. The 2000 analysis tests the capital adequacy of the Company until December 31, 2004 under adverse economic and business conditions.

3. Demutualization

Sun Life Assurance was organized as a mutual life insurance company until March 22, 2000. On that date, Sun Life Assurance converted to a stock life insurance company with common shares following the approvals of its plan to demutualize by policyholders and the Minister of Finance (Canada). Sun Life Financial Services of Canada Inc. was incorporated on August 5, 1999 under the Insurance Companies Act of Canada and on March 22, 2000, became an insurance holding company owning all of the outstanding shares of Sun Life Assurance Company of Canada. To effect the conversion, Sun Life Financial issued a total of 400 million common shares, of which 46 million common shares were issued to underwriters at \$12.50 per share and 97 million common shares were sold in a secondary offering on behalf of certain eligible participating policyholders outside Canada who elected, or were otherwise required, to sell their common shares under the terms of demutualization. The remaining 257 million common shares were issued to certain participating policyholders. Proceeds from the common shares issued to the underwriters amounted to \$576 and were used to fund payments to certain participating policyholders at demutualization. External costs in respect of demutualization of \$114 after tax were treated as a capital transaction and were deducted from the surplus of Sun Life Assurance. All underwriting commissions and offering costs of issuing common shares of \$43 after tax were treated as a capital transaction and deducted from the share capital of Sun Life Financial.

In connection with the initial public offering, the Company granted the underwriters over-allotment options to purchase up to 22 million common shares from treasury at a price of \$12.50 per share. The over-allotment options were exercisable for a period of 30 days after the closing of the offering. These options were fully exercised and the common shares were issued on April 4, 2000 for total proceeds of \$268, less underwriting costs of \$6 after tax. The proceeds are being used for general corporate purposes.

On demutualization, Sun Life Assurance allocated sufficient assets for individual participating policies sold prior to demutualization to meet contractual obligations to protect policyholders' reasonable expectations in respect of future policy dividends and to meet other non-guaranteed policy benefits. These assets and earnings on this business are not available to the shareholders.

To support the participating policies that Sun Life Assurance expects to issue over at least the five-year period after demutualization, an additional \$160 was allocated from the shareholders' account. Subject to regulatory approval, the capital of \$84 with accrued interest may generally be transferred to the shareholders' account if the capital is no longer required to support the new participating policies after the five-year period.

4. Changes in Accounting Policies

ADOPTED IN 2000

Employee Future Benefits: The Company adopted on a prospective basis Employee Future Benefits, section 1001 of the Canadian Institute of Chartered Accountants (CICA) Handbook, effective January 1, 2000. This standard requires the Company to recognize the cost of retirement benefits and certain post-employment benefits over the periods in which employees render services to the company in return for the benefits. The impact of this change in accounting policy was not material to these Consolidated Financial Statements.

FUTURE IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

Earnings per Share: The Company will adopt Earnings per Share, CICA Handbook section 3500, on January 1, 2001, which uses the treasury stock method to determine the dilutive effect of options, warrants and equivalents in the calculation of earnings per share. The revised standard brings Canadian requirements in line with the U.S. standard. This new standard is not expected to materially impact the Company's earnings per share disclosures.

5. Discontinued Operations

The Company adopted a formal plan of disposal for its reinsurance operations on December 15, 1999. On January 15, 2000, the Board of Directors approved an agreement for the Company to sell the life retrocession and financial reinsurance lines of its reinsurance business. On April 10, 2000, the sale of the life retrocession and financial reinsurance lines closed after receiving all the necessary regulatory approvals. The portion of the reinsurance business which is not included in the sale, primarily the accident and health reinsurance business, has been discontinued as the Company has stopped writing such business and is closing its existing block of business. Certain of the arrangements in the business remaining with the Company are subject to litigation or arbitration. As such, the final liabilities of the Company under these arrangements are subject to measurement uncertainty, but this is not expected to have a material adverse effect on the consolidated financial position of the Company.

The impact of discontinued operations is excluded from the results of operations and reported separately below net income from continuing operations in the Consolidated Statements of Operations. The loss from discontinued operations for 1999 includes the results of discontinued operations prior to December 15, 1999 of \$20 after taxes as well as the net loss from discontinued operations after December 15, 1999 of \$160 after taxes. The net loss from discontinued operations in 1999 includes the estimated net loss from the discontinued operations after December 15, 1999 of \$224, net of taxes of \$121, and the estimated gain on the sale of its life retrocession and financial reinsurance lines of \$79, net of taxes of \$43, based on proceeds of \$171. The sale transaction closed in the second quarter of 2000. Sale proceeds of \$171 were received and balance sheet assets of \$535 and liabilities of \$499 were disposed of. The actual gain on the sale was \$79 net of taxes of \$43, included in the estimated net loss from discontinued operations in 1999 are the provisions established in connection with the Unicoxor Managers, Inc. business of \$150 after taxes which is further described in Note 29. Estimated costs and expenses related to the decision to discontinue the reinsurance operations have been included in the net loss from discontinued operations.

The components of the impact from discontinued operations shown in the Consolidated Statements of Operations are as follows:

	2000	1999	1998
REVENUE	\$ 340	\$ 868	\$ 815
EXPENSES	333	902	953
Net income (loss) for discontinued operations before taxes	7	(34)	(138)
Income taxes expense (benefit)	7	(14)	(50)
Net income (loss) for discontinued operations for the years ended			
December 31, 2000 and 1998 and for the period ended December 15, 1999	-	(20)	(88)
Net income (loss) for discontinued operations after December 15, 1999		(150)	
Income (loss) for discontinued operations, net of income taxes	<u>\$ -</u>	<u>\$ (170)</u>	<u>\$ (88)</u>



The following amounts relating to discontinued operations are included in the Consolidated Balance Sheets:

	2000	1999
ASSETS		
Invested assets	\$ 683	\$ 1,062
Other assets	316	685
Total assets	\$ 999	\$ 1,747
LIABILITIES		
Actuarial liabilities and other policy liabilities	\$ 767	\$ 1,385
Other liabilities	232	362
Total liabilities	\$ 999	\$ 1,747

6. Fair Value of Financial Instruments

The fair values of the Company's financial instruments are shown in the following table. For completeness, all other general funds assets and liabilities, subordinated debt and cumulative capital securities are also included.

The net of the fair values of tangible assets and liabilities, detailed below, should not be used as an estimate of the market value of the Company.

	2000		1999	
	Carrying Value	Fair Value	Carrying Value	Fair Value
ON-BALANCE SHEET				
ASSETS				
Bonds	\$ 27,534	\$ 28,845	\$ 25,545	\$ 26,370
Mortgages	10,179	10,598	11,477	11,612
Stocks	4,583	4,545	4,689	5,401
Real estate	2,327	2,580	2,403	2,674
Policy loans	1,276	1,276	1,238	1,238
Cash, cash equivalents and short-term securities	3,962	3,964	3,443	3,447
Other invested assets	1,140	1,169	1,191	1,207
Invested assets	51,001	52,977	49,986	51,949
Future income taxes	334	-	443	-
Other assets excluding future income taxes	4,467	4,467	4,322	4,322
Total general fund assets	\$ 55,802	\$ 57,444	\$ 54,751	\$ 56,271
LIABILITIES				
Actuarial liabilities	\$ 33,390	\$ 37,525	\$ 32,370	\$ 36,040
Amounts on deposit	3,864	3,864	5,260	5,217
Policy benefits payable	802	802	1,045	1,045
Provision for policyholder dividends	830	830	880	880
Deferred net realized gains	3,725	-	3,356	-
Future income taxes	325	636	334	650
Other liabilities excluding future income taxes	4,520	4,520	4,024	4,024
Total general fund liabilities	\$ 47,456	\$ 48,177	\$ 47,269	\$ 47,856
Subordinated debt	\$ 749	\$ 778	\$ 734	\$ 738
Cumulative capital securities of a subsidiary	\$ 900	\$ 807	\$ 870	\$ 856
OFF-BALANCE SHEET NET POSITIVE / (NET NEGATIVE) FAIR VALUE				
Derivative financial instruments (Note 31)	\$ -	\$ (6)	\$ -	\$ 106

A significant portion of any difference between fair values and carrying values relates to assets that are matched to liabilities as to duration within specified limits. If these assets are sold before maturity, the Company will reinvest the proceeds to ensure there are sufficient assets to match liabilities. Consequently, changes in the fair values of assets backing liabilities will tend to be offset by changes in the fair values of those liabilities.

In an exchange of financial instruments, "fair value" refers to the amount agreed upon between willing knowledgeable parties. Consequently the estimated fair values do not necessarily represent the values for which these financial instruments could have been sold at the dates of the Consolidated Balance Sheets. The methods and assumptions used to estimate fair value are given below.

Items with fair value equal to carrying value: Due to their nature, the fair values of policy loans, cash and cash equivalents, other assets excluding future income taxes, policy benefits payable, provision for policyholder dividends and other liabilities excluding future income taxes are assumed to be equal to their carrying values.

Bonds: For publicly traded bonds, fair value is determined using quoted market prices. For bonds without a readily ascertainable market price, the Company has determined an estimated fair value using a discounted cash flow approach, including provisions for credit risk, generally based upon the assumption that such securities will be held to maturity.

Mortgages: Fair value of mortgages is determined by discounting the expected future cash flows using current market interest rates for mortgages with similar credit risks and terms to maturity.

Stocks: Fair value of stocks is based on quoted market prices, usually the last trade values.

Real estate: Fair value of real estate is determined by referring to sales of comparable properties in the marketplace and the net present value of the expected future cash flows, discounted using current interest rates.

Short-term securities: Fair value of short-term securities is based on market yields.

Other invested assets: Fair value is determined by reference to market prices for similar investments.

Future income taxes: Fair value of future income taxes represents the amount that would be recognized on the balance sheet if the financial instruments were measured at fair value.

Actuarial liabilities: Fair value of actuarial liabilities is determined by reference to the fair value of the assets supporting those liabilities.

Amounts on deposit: Fair value of fixed rate deposits is determined by discounting the expected future cash flows using current market interest rates for similar deposits. For amounts on deposit with no stated maturity, fair value is equal to carrying value.

Deferred net realized gains: When financial assets and liabilities are measured at fair value, deferred net realized gains no longer exist.

Subordinated debt: Fair value is based on market prices for the same or similar instruments as appropriate.

Cumulative capital securities of a subsidiary: Fair value of the cumulative capital securities is based on market prices for those instruments.

Derivative financial instruments: Fair value of interest rate contracts and foreign exchange contracts is determined by discounting expected future cash flows using current market interest and exchange rates for similar instruments. Fair value of options, financial futures, swaptions and common stock index swaps is based on the value of underlying securities or indices, or the quoted market price.

7. Unrealized Gains and Losses

Gross unrealized gains (losses) on bonds, issued or guaranteed by the following parties, are as follows:

	2000			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value
Issued or guaranteed by:				
Canadian federal government	\$ 2,481	\$ 68	\$ (4)	\$ 2,545
Canadian provincial and municipal governments	3,012	300	(15)	3,297
U.S. Treasury and other U.S. agencies	893	39	(4)	928
Other foreign governments	3,166	214	(27)	3,353
Corporate	16,557	1,044	(317)	17,284
Asset-backed securities	1,425	29	(16)	1,438
Total bonds	\$27,534	\$ 1,694	\$ (383)	\$ 28,845

	1999			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value
Issued or guaranteed by:				
Canadian federal government	\$ 2,049	\$ 25	\$ (61)	\$ 2,013
Canadian provincial and municipal governments	2,900	204	(49)	3,055
U.S. Treasury and other U.S. agencies	696	4	(29)	671
Other foreign governments	3,166	357	(36)	3,487
Corporate	15,350	857	(430)	15,777
Asset-backed securities	1,384	15	(32)	1,367
Total bonds	\$25,545	\$ 1,462	\$ (637)	\$ 26,370

Bonds are carried at amortized cost, net of allowances for losses, in the Consolidated Financial Statements. Gross unrealized gains and losses on bonds are not brought into income nor are they included in the carrying value. The fair value is determined as described in Note 6.

Gross unrealized gains (losses) on stocks are as follows:

	Carrying Value	Original Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value
Total 2000	\$ 4,583	\$ 3,294	\$ 1,552	\$ (301)	\$ 4,545
Total 1999	\$ 4,689	\$ 3,272	\$ 2,355	\$ (226)	\$ 5,401

Stocks are originally recorded at cost. The carrying value of stocks in the Consolidated Financial Statements is adjusted annually by 15% of the difference between market value and previously adjusted carrying value. The total amount of unrealized gains and losses for stocks and real estate taken into income in the year is shown in Note 25.

8. Deferred Net Realized Gains

Deferred net realized gains are realized gains and losses which have not yet been recognized in income.

The following deferred amounts will be amortized into future net investment income:

	2000	1999
Bonds	\$ 1,597	\$ 1,589
Mortgages	59	52
Stocks	1,940	1,621
Real estate	151	141
Derivatives	(22)	(47)
Total	<u>\$ 3,725</u>	<u>\$ 3,356</u>

Changes in deferred net realized gains are as follows:

	2000	1999
Deferred net realized gains, January 1	\$ 3,356	\$ 3,057
Net realized investments gains (losses) for the period:		
Bonds	199	424
Mortgages	23	21
Stocks	683	642
Real estate	30	41
Derivatives	12	(182)
Amortization of deferred net realized gains (Note 25)	(534)	(468)
Effect of changes in currency exchange rates	(44)	(179)
Deferred net realized gains, December 31	<u>\$ 3,725</u>	<u>\$ 3,356</u>

9. Credit and Concentration Risk Management

Credit risk is the risk of financial loss resulting from the failure of debtors to make payments of interest or principal when due. The Company controls credit risk through detailed credit and underwriting policies, as well as counterparty exposure limits.

It is the Company's policy to diversify all investment portfolios. Except for sovereign country issuers where the Company carries on business or for issuers where the Board of Directors has granted specific approval, Company policy limits credit exposure to 4% of consolidated equity invested in any single issuer and to 8% of consolidated equity invested in any associated group of issuers.

Investment grade bonds are those rated BBB and above. The Company's bond portfolio has 99.0% (98.9% in 1999) invested in investment grade bonds based on carrying value.

The Company's mortgage loans, stocks and real estate investments are diversified by type and location and, for mortgage loans, by borrower. Mortgage loans are collateralized by the related property and generally do not exceed 75% of the value of the property at the time the original loan is made.

The Company's investments in bonds, mortgages, stocks and real estate are shown in the tables below:

	2000		1999	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Bonds by investment grade:				
AAA	\$ 9,264	\$ 9,665	\$ 7,706	\$ 7,907
AA	4,110	4,516	3,916	4,286
A	7,873	8,234	7,893	8,116
BBB	6,001	6,127	5,740	5,758
BB & lower	286	303	290	303
Total bonds	<u>\$ 27,534</u>	<u>\$ 28,845</u>	<u>\$ 25,545</u>	<u>\$ 26,370</u>

Breakdown of bonds, mortgages, stocks and real estate by geographic location, as opposed to reportable segment, is as follows:

	2000				
	Bonds by Issuer Country	Mortgages		Stocks by Issuer Country	Real Estate
		Non-residential	Residential		
Canada	\$ 10,393	\$ 2,292	\$ 1,803	\$ 667	\$ 901
United States	9,715	3,514	137	1,054	849
United Kingdom	6,000	558	1,872	2,193	575
Other	1,426	3	-	669	2
Total	<u>\$ 27,534</u>	<u>\$ 6,367</u>	<u>\$ 3,812</u>	<u>\$ 4,583</u>	<u>\$ 2,327</u>

	1999				
	Bonds by Issuer Country	Mortgages		Stocks by Issuer Country	Real Estate
		Non-residential	Residential		
Canada	\$ 9,469	\$ 2,312	\$ 3,313	\$ 880	\$ 1,063
United States	8,954	3,412	172	916	761
United Kingdom	6,067	546	1,719	2,232	576
Other	1,055	3	-	661	3
Total	<u>\$ 25,545</u>	<u>\$ 6,273</u>	<u>\$ 5,204</u>	<u>\$ 4,689</u>	<u>\$ 2,403</u>

Residential mortgages include mortgages for single and multiple family dwellings.

	2000		1999	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Real estate by type:				
Held for investment	\$ 2,262	\$ 2,508	\$ 2,360	\$ 2,620
Held for sale	65	72	43	54
Total real estate	<u>\$ 2,327</u>	<u>\$ 2,580</u>	<u>\$ 2,403</u>	<u>\$ 2,674</u>

10. Securities Lending

The Company engages in securities lending to generate additional income. Certain securities from its portfolio are loaned to other institutions for short periods. Collateral, which exceeds the market value of the loaned securities, is deposited by the borrower with a lending agent, usually a securities custodian, and retained by the lending agent until the underlying security has been returned to the Company. The market value of the loaned securities is monitored on a daily basis with additional collateral obtained or refunded as the market values fluctuate. It is Company practice to obtain a guarantee from the lending agent against counterparty default, including collateral deficiency, in securities lending transactions. At December 31, 2000, the Company had loaned securities (which are included in invested assets) with a carrying value and market value of approximately \$1.052 and \$1.114, respectively.

11. Interest Rate Risk Management

Interest rate risk is the potential for financial loss arising from changes in interest rates. For example, the Company is exposed to this risk when the cash flows from assets and the policy obligations they support are significantly mismatched, as this may result in the need to either sell assets to meet policy payments and expenses, or re-invest excess asset cash flows under unfavourable interest environments.

To manage this risk, a matching policy is established for each portfolio of assets and related liabilities. Asset/liability management programs are in place to implement this policy. The primary approach used is duration analysis, which measures the sensitivity of assets and liabilities to interest rate changes across the entire yield curve. Partial duration analysis is used to examine the duration gap of assets and liabilities at discrete intervals on the yield curve. These gaps are managed within specified tolerance limits.

Interest rate sensitivity is provided for in the actuarial liabilities for all policies, with adequate provisions to absorb moderate changes in interest rates.

For certain product types, including participating insurance and certain forms of universal life policies and annuities, the effect of changes in the interest rate environment will be passed through to policyholders as changes to the amount of dividend declared or to the rate of interest credited in accordance with the nature of the contract and policy terms. Changes to dividends declared and the rate of interest credited occur routinely as interest rates change, and reflect the normal operation of these policies according to their contractual terms.

Among the different lines of insurance business, annuities are the most sensitive to changes in interest rates. The annuity business represents 10% of the Company's total actuarial liabilities. For the Company's annuity business, an immediate 1% increase in interest rates at December 31, 2000 across the entire yield curve, assuming the Company was unable to take any investment action to mitigate the impact of this change, would result in an estimated increase in net income of \$7. Conversely, an immediate 1% decrease in interest rates, again assuming the Company was unable to take any investment action to mitigate the impact of this change, would result in an estimated decrease in net income of \$85.

The following table shows the expected cash flows for annuity business:

		2000				
		Under 1 year	1 to 5 years	Over 5 years to 10 years	10 years or more	Total
CANADA						
Assets		\$ 1,504	\$ 3,790	\$ 2,320	\$ 3,015	\$ 10,629
Liabilities		1,397	3,729	1,867	3,584	10,577
Cash flow gap		\$ 107	\$ 61	\$ 453	\$ (569)	\$ 52
UNITED STATES						
Assets		\$ 1,011	\$ 2,402	\$ 1,572	\$ 1,806	\$ 6,791
Liabilities		1,339	2,394	1,007	1,281	6,021
Cash flow gap		\$ (328)	\$ 8	\$ 565	\$ 525	\$ 770
UNITED KINGDOM						
Assets		\$ 242	\$ 994	\$ 1,359	\$ 4,968	\$ 7,563
Liabilities		250	968	1,147	4,762	7,127
Cash flow gap		\$ (8)	\$ 26	\$ 212	\$ 206	\$ 436

12. Contractual Maturities

The contractual maturity of bonds at December 31 is shown below. The interest rate risk, which is the potential for financial loss due to interest rate fluctuations, is included in Note 11.

	2000		1999	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Due in one year or less	\$ 1,252	\$ 1,249	\$ 1,004	\$ 1,006
Due in years two through five	5,725	5,806	4,735	4,743
Due in years six through ten	5,516	5,729	5,154	5,204
Due after ten years	13,616	14,623	13,268	14,050
Asset-backed securities	1,425	1,438	1,384	1,367
Total bonds	\$ 27,534	\$ 28,845	\$ 25,545	\$ 26,370

Bonds not due at a single maturity date have been included in the above table in the year of final maturity. Actual maturities may differ from contractual maturities because of the Company's right to call or the borrower's right to prepay obligations, with or without call or prepayment penalties. Asset-backed securities, which are not due at a single maturity date, are shown separately.

At December 31, 2000, scheduled mortgage loan maturities before any allowances are as follows: 2001 - \$796; 2002 - \$713; 2003 - \$573; 2004 - \$432; 2005 - \$533; and \$7.188 thereafter. Actual maturities could differ from contractual maturities because borrowers may have the right to prepay obligations, with or without prepayment penalties.

13. Allowances for Losses on Invested Assets

The Company has impaired invested assets and foreclosed properties held for sale with specific allowances, and other general allowances, at December 31, as follows:

		2000		1999	
		Carrying Value before Allowance for Impaired Invested Assets	Allowances for Losses	Carrying Value before Allowance for Impaired Invested Assets	Allowances for Losses
Mortgages					
- impaired, with allowance for losses		\$ 38	\$ 6	\$ 83	\$ 26
- impaired, with no allowance for losses		6	-	14	-
- general allowance		-	50	-	67
Bonds					
- specific allowance		137	81	28	6
- general allowance		-	27	-	44
Foreclosed properties					
- specific allowance		36	7	30	6
Other					
- specific allowance		2	2	1	1
- general allowance		-	1	-	1
Total		\$ 219	\$ 174	\$ 156	\$ 151

Changes in the allowances for losses are as follows:

	2000			1999			1998		
	Mortgages	Bonds	Foreclosed Properties and Other	Mortgages	Bonds	Foreclosed Properties and Other	Mortgages	Bonds	Foreclosed Properties and Other
Balance, January 1	\$ 93	\$ 50	\$ 8	\$ 132	\$ 24	\$ 13	\$ 182	\$ 26	\$ 31
Provision for losses – continuing operations	3	110	(9)	1	36	(7)	(16)	5	(5)
Provision for losses – discontinued operations	-	3	-	-	3	-	-	-	-
Write-offs, net of recoveries	(11)	(57)	11	(38)	(10)	2	(36)	(8)	(13)
Currency translation adjustment	1	2	-	(2)	(3)	-	2	1	-
Disposition	(30)	-	-	-	-	-	-	-	-
Balance, December 31	\$ 56	\$ 108	\$ 10	\$ 93	\$ 50	\$ 8	\$ 132	\$ 24	\$ 13

At December 31, 2000, the carrying value of bonds, mortgages and real estate, including any specific allowances, which were non-income producing for the preceding twelve months was \$28.

MORTGAGES

At December 31, 2000 and 1999, mortgages with scheduled payments which were 90 days or more in arrears were \$44 (0.4% of total mortgages) and \$98 (0.8% of total mortgages), respectively, before any allowances.

During 2000 and 1999, the Company's weighted average recorded investment in impaired mortgage loans, before any allowances, was \$69 and \$159, respectively. Interest on impaired mortgage loans is recorded as received and was \$5 for 2000 and \$7 for 1999. Impaired mortgage loans with no allowance for losses are loans for which at a minimum either the fair value of the collateral or the expected future cash flows exceed the carrying value.

14. Acquisitions and Disposals

On April 10, 2000, the sale of the reinsurance business closed as described in Note 5 on discontinued operations.

Effective March 1, 2000, the Company sold all of the common shares of Sun Life Trust Company (SLT), a deposit taking, mortgage lending and trust services company. Proceeds from the sale, net of applicable taxes, recovered SLT's carrying value.

Effective October 29, 1999, the Company sold all the shares of its United States federal savings bank and trust subsidiary, New London Trust, F.S.B. (NLT). The transaction resulted in a gain of \$34 before related taxes of \$15.

Effective May 19, 1999, the Company (through three wholly-owned subsidiaries) acquired 50.001% of the equity of Birla Finance Distributors Limited, 10.0% of the equities of Birla Capital International AMC Limited, and Birla Capital International Trustee Company Limited, and 49.0% of the equity of Birla Mutual Securities Limited. These companies comprise a new marketing and distribution company, a mutual fund management company, the trustee of the Birla Mutual Fund, and a securities brokerage company in India. The acquisition was accounted for by the purchase method. Results are included in the Consolidated Statements of Operations from the date of acquisition.

Effective February 5, 1999, the Company sold its United States individual disability insurance subsidiary, Massachusetts Casualty Insurance Company (MCIC). Proceeds from the sale, net of applicable taxes, recovered MCIC's carrying value.

On March 25, 1999, the Company acquired 31.7% of the outstanding shares of Administradora de Fondos de Pensiones Cuprum S.A. (Cuprum), a pension fund administrator in Chile. The investment is classified under other invested assets. Cuprum's assets under management, which total \$140 million in December 31, 2000, are not included in the Company's other assets under management, as it is not a subsidiary of the Company.

The transactions are summarized below:

	Acquisitions			Disposals	
	Birla	Cuprum	NLT	MCIC	SLT
Balance sheet assets acquired / disposed of	\$ 21	\$ 32	\$ 425	\$ 382	\$ 1,981
Balance sheet liabilities acquired / disposed of	13	7	418	322	1,816
Net balance sheet assets acquired / disposed of	8	25	7	60	165
Cash cost of acquisition / proceeds of disposal	43	170	41	51	160
Goodwill on acquisition / pre tax gain (loss) on sale	\$ 35	\$ 145	\$ 34	\$ (9)	\$ (5)
Goodwill amortization period in years	15	20			
Cash acquired (disposed of)	\$ -	\$ -	\$ (32)	\$ -	\$ -

15. Other Assets

Other assets consist of the following:

	2000	1999
Accounts receivable	\$ 1,634	\$ 1,608
Deferred acquisition costs	1,212	1,050
Investment income due and accrued	628	617
Prepaid expenses	404	467
Future income taxes (Note 27)	334	443
Outstanding premiums	238	213
Capital assets	183	168
Goodwill	91	89
Other	77	110
Total other assets	\$ 4,801	\$ 4,765

Amortization of deferred acquisition costs charged to income amounted to \$265 in 2000 (\$235 and \$169 in 1999 and 1998, respectively).

In addition to the goodwill amount included in other assets, goodwill of \$139 (\$152 in 1999) is included in other invested assets. Goodwill amortization charged to net investment income and operating expenses during the year was \$10 and \$8, respectively (\$8 and \$9, respectively in 1999 and \$6 and \$21, respectively in 1998).

In 1994, the Company acquired Confederation Life Insurance Company (U.K.) Limited, which has a substantial pensions business. Since acquisition, this business has reported significant losses. These losses arose from the costs associated with the minimum annuity rates on most of its pensions as well as the compensation costs for prior pension sales being significantly in excess of preliminary estimates. Consequently the Company wrote-off the remaining \$260 in goodwill associated with this acquisition in 1998.

Capital assets are carried at a cost of \$698 (\$634 in 1999), less accumulated depreciation and amortization of \$515 (\$466 in 1999). Depreciation and amortization charged to income totalled \$59 (\$63 and \$62 in 1999 and 1998, respectively).

16. Actuarial Liabilities and Other Policy Liabilities

COMPOSITION OF ACTUARIAL LIABILITIES AND OTHER POLICY LIABILITIES

The actuarial liabilities and other policy liabilities consist of the following:

	2000					
	Canada	United States	United Kingdom	Asia	Other Operations	Total
Individual participating life	\$ 2,994	\$ 4,848	\$ 3,415	\$ 584	\$ 77	\$ 11,918
Individual non-participating life	439	2,028	58	(3)	128	2,650
Group life	650	102	408	1	-	1,161
Individual annuities	3,283	427	2,208	-	8	5,926
Group annuities	3,116	5,861	304	-	-	9,281
Health insurance	2,376	411	336	(3)	291	3,411
	12,858	13,677	6,729	579	504	34,347
Less reinsurance ceded	694	121	56	1	85	957
Total actuarial liabilities	12,164	13,556	6,673	578	419	33,390
Add: other policy liabilities	325	381	429	65	432	1,632
Actuarial and other policy liabilities	\$ 12,489	\$ 13,937	\$ 7,102	\$ 643	\$ 851	\$ 35,022

	1999					
	Canada	United States	United Kingdom	Asia	Other Operations	Total
Individual participating life	\$ 2,678	\$ 4,383	\$ 3,578	\$ 521	\$ 5	\$ 11,165
Individual non-participating life	355	1,685	(56)	(3)	360	2,341
Group life	678	94	381	-	31	1,184
Individual annuities	3,307	640	2,229	-	9	6,185
Group annuities	3,304	4,939	324	-	-	8,567
Health insurance	2,231	362	253	-	346	3,192
	12,553	12,103	6,709	518	751	32,634
Less reinsurance ceded	91	115	1	1	56	264
Total actuarial liabilities	12,462	11,988	6,708	517	695	32,370
Add: other policy liabilities	354	339	471	65	696	1,925
Actuarial and other policy liabilities	\$ 12,816	\$ 12,327	\$ 7,179	\$ 582	\$ 1,391	\$ 34,295

In the above tables, the other operations are primarily business from the discontinued reinsurance operations. Other policy liabilities consist of policy benefits payable, provisions for unreported claims, provisions for policyholder dividends and provisions for experience rating refunds.

Policyholder dividends of \$787 are included in policyholder dividends and interest on claims and deposits in the Consolidated Statements of Operations (\$819 and \$764 in 1999 and 1998, respectively).

Provisions for adverse deviations from expected assumptions have been included in the actuarial liabilities to recognize the measurement uncertainty inherent in the computation process. In determining these provisions, the Company ensures:

- When taken one at a time, each provision is reasonable with respect to the underlying best estimate assumption, and the extent of uncertainty present in making that assumption.
- In total, the cumulative effect of all provisions is reasonable with respect to the total actuarial liabilities.

These provisions will be reduced and included in future income to the extent that they are no longer required. For group insurance, reductions in provisions may be returned to policyholders as experience rating refunds.

CHANGES IN ACTUARIAL LIABILITIES

Changes in actuarial liabilities during the year are as follows:

	2000	1999
Actuarial liabilities, January 1	\$ 32,370	\$ 33,133
Change in liabilities on in-force business	(2,281)	(2,346)
Liabilities arising from new policies	4,148	3,350
Increase in actuarial liabilities	1,867	1,004
Dispositions and other	(394)	(248)
Change due to ceding reinsurance agreement	(539)	-
Effect of changes in currency exchange rates	86	(1,519)
Actuarial liabilities, December 31	\$ 33,390	\$ 32,370

MEASUREMENT UNCERTAINTY AND ASSUMPTIONS MOST SUSCEPTIBLE TO CHANGE

The Company uses best estimate assumptions for expected future experience in calculating actuarial liabilities. An additional margin is then added to provide for possible adverse deviations from the best estimates. The best estimate assumptions and provisions for adverse deviations are reviewed annually. Revisions are made to either the best estimate assumptions and/or the margins, where deemed necessary and prudent. Due to the long-term nature of the policy liabilities, the time spans of the assumptions are usually longer than a single year. Accordingly, the assumptions are expected to change slowly over time. The actuarial policies addressing measurement uncertainty are further discussed in Note 2.

Mortality and morbidity: These assumptions are set based on average experience over the last five years or industry tables as specified in Note 2. The susceptibility to yearly change is therefore low.

Lapse rates: For individual life insurance products where fewer lapses would be financially adverse to the Company, actuarial liabilities would be increased by 0.3% if the lapse rate assumption was reduced by 10% starting in policy year six (5% for participating policies and policies with adjustable premiums). For products where more lapses would be financially adverse to the Company, actuarial liabilities would be increased by 1.3% if an extra 1% of the in-force policies were assumed to lapse each year beginning in policy year six (0.5% for participating policies and policies with adjustable premiums).

Expenses: The sensitivity of actuarial liabilities to changes in expense assumptions is relatively low. For example, in the case of Canadian individual participating policies, a 25% increase in unit expenses per policy would result in an increase in actuarial liabilities of less than 5%, assuming no dividend scale changes.

Asset default: In addition to the allowances for losses on invested assets outlined in Note 13, the actuarial liabilities include an amount of \$635 determined on a pre-tax basis (\$593 in 1999) to provide for possible future asset defaults on currently owned assets. This provision results from a reduction in the expected future investment yield recognized in the computation of actuarial liabilities. The reduction varies depending on the creditworthiness of the class of asset.

Interest rate: The effect of changes in interest rates on actuarial liabilities is discussed in Note 11.

INVESTED ASSETS SUPPORTING ACTUARIAL LIABILITIES, EQUITY AND OTHER

Bonds and mortgages are used extensively to support actuarial liabilities, particularly in the annuity and group businesses. Stocks and real estate are primarily used to support individual participating life insurance business where the Company has some ability to adjust policyholder dividends. Equity and other includes both insurance and non-insurance operations of the Company. The following tables show the percentage of invested assets supporting actuarial liabilities, equity and other:

	2000					Total %
	Bonds %	Mortgages %	Stocks %	Real Estate %	Other %	
Individual participating life	43	14	23	11	9	100
Individual non-participating life	57	26	5	-	12	100
Group life	67	18	2	1	12	100
Individual annuities	60	27	1	-	12	100
Group annuities	78	19	1	2	-	100
Health insurance	70	22	1	1	6	100
Equity and other	33	25	8	3	31	100
Total invested assets	54	20	9	5	12	100

	1999					Total %
	Bonds %	Mortgages %	Stocks %	Real Estate %	Other %	
Individual participating life	37	14	25	11	13	100
Individual non-participating life	62	26	2	-	10	100
Group life	74	21	-	-	5	100
Individual annuities	61	28	-	-	11	100
Group annuities	78	21	-	1	-	100
Health insurance	67	24	1	-	8	100
Equity and other	26	40	7	6	21	100
Total invested assets	51	23	9	5	12	100

17. Reinsurance Agreements

Reinsurance is used to limit exposure to large losses. The Board of Directors approves the Company's individual life insurance retention policy and limits. Arrangements are placed with well-established, highly rated reinsurers. Coverage is well diversified, with no significant concentration in any one reinsurer. Actuarial liabilities are shown net of ceded reinsurance in Note 16. While reinsurance arrangements provide for the recovery of claims arising from the liabilities ceded, the Company retains primary responsibility to the policyholders. The reductions in premiums and payments to policyholders, beneficiaries and depositors due to reinsurance ceded are \$271 (\$267 in 1999 and \$180 in 1998) and \$202 (\$146 in 1999 and \$92 in 1998), respectively.

18. Minimum Capital Requirements

The Company is subject to the Canadian Minimum Continuing Capital and Surplus Requirements (MCCSR) on its worldwide insurance operations. At December 31, 2000, the Company had a MCCSR ratio of 295% (262% in 1999), considerably in excess of the minimum requirement. In addition, Sun Life Financial Services of Canada Inc. and its subsidiaries must comply with local capital requirements in each of the jurisdictions in which they operate. Furthermore, the Company is required to appropriate retained earnings of \$1,888 (\$2,138 in 1999). All of these requirements constrain the Company's ability to distribute its retained earnings.

19. Other Liabilities

Other liabilities consist of the following:

	2000	1999
Accrued expenses and taxes	\$ 1,442	\$ 1,291
Accounts payable	1,534	801
Selling practice provisions (Note 29)	561	754
Borrowed funds (Note 20)	401	701
Future income taxes (Note 27)	325	334
Non-controlling interests in Massachusetts Financial Services Company (MFS) and McLean Budden Limited	68	59
Other	514	418
Total other liabilities	\$ 4,845	\$ 4,358

20. Borrowed Funds

The following obligations are included in borrowed funds:

	Currency of Borrowing	Maturity	2000	1999
Bank credit facilities*	U.S. dollars	2003	\$ 150	\$ 319
	Pounds Sterling	2004	190	329
Encumbrances on real estate	Canadian dollars	2003-2007	30	11
	U.S. dollars	2007-2019	31	42
Total borrowed funds			\$ 401	\$ 701

* At various floating rates, linked to London Inter Bank Offered Rate

Interest expensed and paid for the borrowed funds was \$25, \$25 and \$46 for 2000, 1999 and 1998, respectively.

At December 31, 2000, aggregate maturities, including principal repayments, of encumbrances on real estate are \$2 for 2001, \$2 for 2002, \$24 for 2003, \$1 for 2004, \$5 for 2005 and \$2 for 2006.

At December 31, 2000, bank credit facilities are \$340 (\$648 in 1999) with weighted average interest rates related to those borrowings ranging from 6.2% to 6.7% (5.3% to 5.8% in 1999).

At December 31, 2000, the Company had \$1,776 in lines of credit from numerous financial institutions of which \$1,436 was unused. These lines of credit generally have terms ranging from 1 to 5 years.

21. Subordinated Debt

The following obligations are included in subordinated debt:

	Maturity	2000	1999
Amounts borrowed in Canadian dollars:			
8.49% capital debentures	2005	\$ 300	\$ 300
Amounts borrowed in U.S. dollars:			
6.63% subordinated notes	2007	224	217
7.25% subordinated notes	2015	225	217
Total subordinated debt		<u>\$ 749</u>	<u>\$ 734</u>

Interest expensed and paid on subordinated debt borrowings was \$58, \$60 and \$60 for 2000, 1999 and 1998, respectively.

This subordinated debt qualifies as capital for Canadian regulatory purposes.

22. Cumulative Capital Securities of a Subsidiary

On May 6, 1997, Sun Life of Canada (U.S.) Capital Trust I, an indirect subsidiary of the Company, issued U.S.\$600 of 8.526% cumulative capital securities (Securities). These Securities were issued in U.S. dollars and have no scheduled maturity date. Distributions are payable semi-annually in arrears. The payment of distributions is indirectly guaranteed by Sun Life Assurance Company of Canada on a subordinated basis. These cumulative capital securities qualify as capital for Canadian regulatory purposes.

23. Share Capital and Normal Course Issuer Bid

The authorized share capital of the Company consists of the following:

- An unlimited number of common shares without nominal or par value. Each common share is entitled to one vote at meetings of the shareholders of the Company. There are no pre-emptive, redemption, purchase or conversion rights attached to the common shares.
- An unlimited number of Class A and Class B non-voting preferred shares, issuable in series. The Board of Directors of the Company is authorized to fix before issuing the shares, the number, the consideration per share, the designation of and the rights and restrictions of the Class A and Class B shares of each series, subject to the special rights and restrictions attached to all the Class A and Class B shares.

On May 11, 2000, the Company announced that the Board of Directors had authorized the purchase of up to 21 million common shares, representing 5% of the common shares issued and outstanding at that time. Any purchases made under the normal course issuer bid program will be in accordance with the rules of The Toronto Stock Exchange (Exchange). The normal course issuer bid program covers the period from May 15, 2000 to May 14, 2001, unless the maximum number of common shares is purchased before May 14, 2001. Regulatory approval for the normal course issuer bid program was received on May 16, 2000. Transactions will be executed on the Exchange at the prevailing market price in amounts and times determined by the Company. The Company will make no purchases of common shares other than open-market purchases. Any common shares purchased as part of the normal course issuer bid program will be cancelled.

	2000	
Common shares issued and outstanding	Number of shares (in millions)	Amount
Balance, January 1	-	\$ -
Shares issued to policyholders at demutualization (Note 3)	354	-
Shares issued in public offering (Note 3)	46	576
Shares issued to underwriters under an over-allotment option (Note 3)	22	268
Less: commissions and offering costs, net of tax (Note 3)		49
Balance, December 31	<u>422</u>	<u>\$ 795</u>

24. Earnings Per Share

BASIC EARNINGS PER SHARE

	For the period after demutualization March 22 to December 31, 2000
Shareholders' net income after demutualization	\$ 629
Weighted average number of shares outstanding	421 million shares
Basic earnings per share	\$ 1.49 per share

ADJUSTED EARNINGS PER SHARE

Adjusted earnings per share is calculated as if demutualization occurred and the offering, excluding the underwriters' over-allotment, closed on January 1, 2000.

	For the year ended December 31, 2000
Total net income for the year	\$ 802
Add: Net loss attributed to post-demutualization participating policyholders	8
Less: Adjusted net income attributed to pre-demutualization participating policyholders ⁽¹⁾	16
Adjusted net income attributed to shareholders	\$ 792
Weighted average number of shares outstanding	416 million shares
Adjusted earnings per share	\$ 1.90 per share

After demutualization, net experience gains arising on pre-demutualization participating policies are not attributed to shareholders.

25. Net Investment Income

Net investment income has the following components:

	2000	1999	1998
Interest from:			
Bonds	\$ 1,974	\$ 1,878	\$ 1,942
Mortgages	860	987	1,015
Policy loans	102	98	86
Cash, cash equivalents and short-term securities	146	101	97
Interest income	3,082	3,064	3,140
Dividends from stocks	103	139	145
Real estate income (net)	182	196	176
Amortization of deferred net realized gains (Note 8)	534	468	369
Amortization of unrealized gains and losses	14	152	187
Other items (net)	93	257	124
	4,008	4,276	4,141
Provisions for losses on investments	(107)	(33)	16
Investment expenses and taxes	(62)	(61)	(60)
Impact of discontinued operations	(63)	(69)	(62)
Total net investment income	\$ 3,776	\$ 4,113	\$ 4,035



26. Operating Expenses

Operating expenses consist of the following:

	2000	1999	1998
Compensation costs	\$ 1,444	\$ 1,366	\$ 1,148
Premise and equipment costs	267	276	251
Capital asset depreciation and amortization (Note 15)	59	63	62
Non-controlling interests in MFS and McLean Budden Limited	67	46	24
Goodwill amortization (Note 15)	8	9	21
Other	655	526	527
Total operating expenses	<u>\$ 2,500</u>	<u>\$ 2,286</u>	<u>\$ 2,033</u>

27. Income Taxes

In the Consolidated Statements of Operations, the income tax expense for the Company's worldwide operations has the following components:

	2000	1999	1998
CONTINUING OPERATIONS			
Canadian income tax expense (benefit):			
Current	\$ 76	\$ 34	\$ 40
Future	72	107	44
Total	<u>148</u>	<u>141</u>	<u>84</u>
Foreign income tax expense (benefit):			
Current	221	305	160
Future	10	(28)	30
Total	<u>231</u>	<u>277</u>	<u>190</u>
Income tax expense related to continuing operations	<u>379</u>	<u>418</u>	<u>274</u>
DISCONTINUED OPERATIONS			
Canadian income tax expense (benefit):			
Current	-	2	(1)
Future	3	1	1
Total	<u>3</u>	<u>3</u>	<u>-</u>
Foreign income tax expense (benefit):			
Current	(31)	(16)	(50)
Future	35	(79)	-
Total	<u>4</u>	<u>(95)</u>	<u>(50)</u>
Income tax expense (benefit) related to discontinued operations	<u>7</u>	<u>(92)</u>	<u>(50)</u>
Total income taxes	<u>\$ 386</u>	<u>\$ 326</u>	<u>\$ 224</u>

The undistributed earnings of most non-Canadian subsidiaries would be taxed only upon their repatriation to Canada. The Company recognizes a future tax liability, if any, on these undistributed earnings to the extent that management expects they will be repatriated in the foreseeable future.

The amount of income taxes paid, net of refunds received, was \$388 for 2000 (\$90 and \$270 in 1999 and 1998, respectively) excluding the impact of discontinued operations.

The Company's effective worldwide income tax rate differs from the combined Canadian income tax rate as follows:

	2000		1999		1998	
		%		%		%
Net income from continuing operations	\$ 802		\$ 334		\$ 142	
Add: income taxes	379		418		274	
Net income from continuing operations before income taxes	\$ 1,181		\$ 752		\$ 416	
Taxes at the combined Canadian federal and provincial statutory income tax rate	\$ 510	43.2	\$ 328	43.6	\$ 181	43.6
Increase (decrease) in rate resulting from:						
Higher (lower) effective rates on income subject to taxation in foreign jurisdictions	(128)	(10.9)	(60)	(8.0)	(44)	(10.6)
Tax benefit not recognized for foreign losses	-	-	158	21.0	191	45.9
Tax exempt investment income	(52)	(4.4)	(23)	(3.0)	(33)	(7.9)
Capital taxes	35	3.0	34	4.5	28	6.7
Capital tax credits utilized in the year	(26)	(2.2)	(26)	(3.4)	(42)	(10.1)
Reduction in income tax rate	27	2.3	-	-	-	-
Other	13	1.1	7	0.9	(7)	(1.7)
Company's effective worldwide income taxes	\$ 379	32.1	\$ 418	55.6	\$ 274	65.9

The Company has accumulated net tax losses, primarily in Canada and the United Kingdom, totaling \$2,798 (\$2,950 in 1999). The future benefit of these tax losses has been recognized to the extent that they are more likely than not to be realized in the amount of \$257 (\$339 in 1999) in future income taxes. The Company will realize this benefit in future years through a reduction in current income taxes. These net operating loss carryforwards are included in income tax returns that are subject to examination by various tax authorities and could be reduced as a result of adjustments to tax returns for prior years. A future benefit of \$613 (\$599 in 1999) related to these net tax losses has not been recognized as a future income tax asset by the Company.

The Company's future tax assets and liabilities arise from the following temporary differences for all operations:

	2000		1999	
	Assets	Liabilities	Assets	Liabilities
Investments	\$ 192	\$ 17	\$ 65	\$ 30
Actuarial liabilities	(244)	54	(129)	95
Deferred acquisition costs	129	282	124	253
Operating loss carry forwards	184	(73)	245	(95)
Other	73	45	138	51
Total	\$ 334	\$ 325	\$ 443	\$ 334

Future income taxes are the result of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The sources of these temporary differences and the tax effects for continuing operations are as follows:

	2000	1999	1998
Investments	\$ (112)	\$ (137)	\$ 66
Actuarial liabilities	(219)	(211)	281
Deferred acquisition costs	(3)	39	83
Operating loss carryforwards	303	356	(402)
Other	113	32	46
Future income tax expense related to continuing operations	\$ 82	\$ 79	\$ 74

28. Employee Future Benefits

PENSION PLANS

The Company sponsors non-contributory defined benefit pension plans for eligible employees, primarily in Canada, the United States, the United Kingdom and the Philippines. The defined benefit pension plans offer benefits based on length of service and final average earnings. The specific features of these plans vary in accordance with the countries in which employees are located. The Company's policy is to fund at least the amount required by the regulations of the countries in which the plans are offered. In addition, the Company maintains supplementary non-contributory pension arrangements for eligible employees, primarily for benefits which do not qualify for funding under the various formal pension plans.

The following tables set forth the status of these pension plans. The results for 2000 presented below reflect the Company's adoption on a prospective basis beginning January 1, 2000 of the requirements of section 3461 of the CICA Handbook.

	2000	1999
Change in benefit obligation:		
Benefit obligation, January 1	\$ 1,286	\$ 1,222
Effect of adopting section 3461 of the CICA Handbook	(43)	-
	<u>1,243</u>	<u>1,222</u>
Service cost	47	54
Interest cost	80	77
Actuarial losses / (gains)	49	35
Benefits paid	(63)	(43)
Effect of changes in currency exchange rates	(16)	(59)
Benefit obligation, December 31	<u>\$ 1,340</u>	<u>\$ 1,286</u>
Change in plan assets:		
Fair value of plan assets, January 1	\$ 1,667	\$ 1,599
Actual return on plan assets	119	160
Employer contributions	30	18
Benefits paid /	(63)	(43)
Effect of changes in currency exchange rates	(15)	(67)
Fair value of plan assets, December 31	<u>\$ 1,738</u>	<u>\$ 1,667</u>
Net funded status, December 31	\$ 398	\$ 381
Unamortized net actuarial loss / (gain)	2	(230)
Unamortized past service cost	11	32
Unamortized transition obligation / (asset)	(235)	(71)
Prepaid benefit asset, December 31	<u>\$ 176</u>	<u>\$ 112</u>
Plans with projected benefit obligations in excess of plan assets:		
Projected benefit obligations	\$ 125	\$ 118
Plan assets	<u>\$ 57</u>	<u>\$ 44</u>
Weighted-average assumptions as at December 31:		
Discount rate	6.7%	6.7%
Expected long-term rate of return on plan assets	7.8%	7.6%
Rate of compensation increase	4.2%	4.3%

	2000	1999	1998
Components of net periodic benefit cost:			
Service cost and curtailment	\$ 38	\$ 54	\$ 42
Interest cost	80	77	77
Expected return on plan assets	(125)	(110)	(109)
Amortization of actuarial losses / (gains)	(2)	(16)	(22)
Amortization of past service cost	-	(2)	2
Amortization of transition obligation / (asset)	(22)	(13)	(15)
Net periodic benefit cost	\$ (31)	\$ (10)	\$ (25)

The assumed discount rates, the expected long-term rates of return on plan assets and the rates of increase in future compensation used in determining the actuarial present value of the projected benefit obligations vary according to the economic conditions of the countries in which the pension plans are situated.

The assets supporting the defined benefit plans and the other supplementary pension arrangements are trustee or held in the segregated funds of the Company. Prior to 1998, assets supporting the supplementary pension arrangements were held within the general fund of the Company.

The Company has also established defined contribution pension plans for eligible qualifying employees and agents. Generally the contribution is a set percentage of an individual's annual income. The total contribution made by the Company to such plans was \$35 in 2000 and \$33 in 1999.

OTHER POST-RETIREMENT BENEFITS

In addition to the Company's pension plans, the Company provides certain post-retirement medical, dental and life insurance benefits to eligible employees and agents, and to their dependents upon meeting certain requirements. A significant portion of the Company's employees may become eligible for these benefits upon retirement. These post-retirement benefits are not funded.

The following tables set forth the status of the post-retirement benefit plans.

	2000	1999
Change in benefit obligation:		
Benefit obligation, January 1	\$ 141	\$ 138
Effect of adopting section 3461 of the CICA Handbook	(14)	-
	127	138
Service cost	3	3
Interest cost	10	9
Actuarial losses / (gains)	16	(1)
Benefits paid	(5)	(6)
Effect of changes in currency exchange rates	1	(2)
Benefit obligation, December 31	\$ 152	\$ 141
Change in plan assets:		
Fair value of plan assets, January 1	\$ -	\$ -
Employer contributions	5	2
Benefits paid	(5)	(2)
Fair value of plan assets, December 31	\$ -	\$ -
Net funded status, December 31	\$ (152)	\$ (141)
Unamortized net actuarial loss / (gain)	19	-
Unamortized past service cost	-	-
Unamortized transition obligation / (asset)	(16)	-
Accrued benefit liability, December 31	\$ (149)	\$ (141)
Weighted-average assumption as at December 31:		
Discount rate	7.2%	6.6%



	2000	1999	1998
Components of net periodic benefit cost:			
Service cost	\$ 3	\$ 3	\$ 3
Interest cost	10	9	9
Expected return on plan assets	-	-	-
Amortization of actuarial losses / (gains)	-	1	1
Amortization of past service cost	-	-	-
Amortization of transition obligation / (asset)	(1)	-	-
Net periodic benefit cost	\$ 12	\$ 13	\$ 13

The assumed medical cost trend rate used in measuring the accumulated post-retirement benefits obligation in Canada in 2000 was 9%, decreasing by 0.5% each year until 2006, after which it remains at 6%. In the United States in 2000, the assumed rate was 10.9%, decreasing evenly to 6% by 2006, and remaining at that level thereafter. The assumed dental cost trend rate was 5.5% in Canada and in the United States.

If the health care cost trend rate assumptions were increased by 1%, the accumulated post-retirement benefit obligations would be increased by \$20 as at December 31, 2000. This rate increase would increase the 2000 aggregate service and interest costs by \$2. A decrease of 1% in the trend rate assumptions would result in respective decreases of about the same amounts.

29. Commitments and Contingencies

LEASE COMMITMENTS

The Company leases offices and certain equipment. These are operating leases with rents charged to operations in the year to which they relate. Total future rental payments for the remainder of these leases are \$100 for 2001, \$85 for 2002, \$81 for 2003, \$79 for 2004, \$71 for 2005 and \$172 thereafter.

CONTRACTUAL COMMITMENTS

In the normal course of business, various contractual commitments are outstanding which are not reflected in the Consolidated Financial Statements. At December 31, 2000, there were outstanding contractual commitments of \$414, of which \$168 expires in 30 days, \$231 expires in 31 to 365 days and \$15 expires in 2002 or later. The majority of these commitments are to extend credit under commercial and residential mortgage loans.

LETTERS OF CREDIT

The Company issues letters of credit in the normal course of business. At December 31, 2000, letters of credit in the amount of \$111 have been issued.

UNICOVER

Under a series of contracts that commenced March 1, 1997 (the March Whole Account) and that were replaced by a series of three year contracts that commenced on December 1, 1997 (the December Whole Account), the Company arranged to participate in the reinsurance of a reinsurance pool and related facilities created and managed by Unicover Managers, Inc. (Unicover). The members of the reinsurance pool and facilities (the Unicover reinsurers) provided reinsurance for the accident and health insurance components of workers' compensation insurance policies written by U.S. direct insurers. During 1998, the premium attributable to the underlying workers' compensation policies sold and then partially or wholly reinsured by Unicover materially exceeded expectations. It was expected in 1999 that claims attributable to the entire program could be substantial. Consequently, the Company has undertaken an extensive review of the Unicover program and the Company's reinsurances.

In July 1999 the Company delivered a notice of arbitration to Unicover and the Unicover reinsurers seeking rescission of the December Whole Account contracts or damages. If the remedy of rescission were granted in this case, it would have the effect of annulling or voiding the December Whole Account. In October 2000 the Company sent notice of its intention to rescind the March Whole Account based on material misrepresentation, non-disclosures and breaches of contract. As of early January, 2001, no party has yet demanded arbitration with respect to the Company's rescission of the March Whole Account. Based on its investigation of the facts currently available and on the advice of counsel, the Company believes that it has strong grounds on which to rescind the March Whole Account and the December Whole Account.

The Company has entered into settlements which together have significantly reduced the Company's exposure to losses from the Uncover business. On January 7, 2000 a settlement agreement was made with Reliance Insurance Company and Reliance Group Holdings, Inc. (Reliance) with respect to a segment of the Uncover business. As a result of this settlement, the arbitration against Reliance for rescission of agreements related to this segment of the Uncover business will not proceed. On March 27, 2000 the Company settled the Company's exposure in another segment of the Uncover business by entering into agreements with Reliance Insurance Company, The Lincoln National Life Insurance Company and Lincoln National Health and Casualty Insurance Company.

Certain of the companies providing reinsurance protection to the Company have initiated proceedings to avoid their retrocessional reinsurance. These proceedings are ongoing.

The Company established provisions at a cost of \$150 after taxes during 1999 in connection with the Uncover business based on information known to it at the time. The financial terms of the above settlements are consistent with these provisions established in 1999 and no additional provisions were established during 2000. However, as the arbitration proceedings related to the Uncover business are ongoing it is possible that the arbitration proceedings will be lengthy and the outcome of those proceedings not known for quite some time.

LEGAL PROCEEDINGS

Sun Life Financial and its subsidiaries are engaged in litigation arising in the ordinary course of business. None of this litigation is expected to have a material adverse effect on the consolidated financial position of the Company other than those mentioned elsewhere in this note.

PROVISIONS IN THE UNITED KINGDOM

In the United Kingdom, the life insurance industry is being required to compensate certain policyholders under the Financial Services Authority guidelines on sales of pension products. The compensation is for sales which occurred from 1988 to 1994. These guidelines have been significantly expanded for the second phase of required compensation, which has required the entire industry to significantly increase its provisions. The Financial Services Authority is continuing to provide more specific guidance for this compensation. The liability has been determined by the use of estimates derived from the regulatory guidance or the Company's prior experience. The Company's future experience may be different from these estimates and consequently there is still uncertainty in measuring its ultimate costs. There was no increase in the provisions during the year (\$438 and \$347 in 1999 and 1998, respectively, included in the guarantees and surrenders line in the Consolidated Statements of Operations), for a total cost since inception of \$1,176. During the year, the Company paid compensation of \$127 (\$158 and \$167 in 1999 and 1998, respectively), for total compensation payments since inception of \$312. At December 31, 2000, the Company had provisions of \$561 (\$754 in 1999) for future compensation payments and related expenses.

In 1998, the Company significantly increased its actuarial liabilities in connection with certain annuities with minimum annuity rates issued prior to 1994 by Confederation Life (U.K.) in the United Kingdom. At December 31, 2000, the actuarial liabilities for these annuities were \$435 (\$455 as at December 31, 1999). The Company has instituted a hedging program with the objective of limiting losses that would otherwise arise upon further declines in interest rates in the United Kingdom. This program provides a substantial, although not complete, hedge against declines in interest rates. There can be no certainty that additional liabilities will not be required in the future as a result of interest rate changes or other factors.

30. Segmented Information

The Company's reportable segments are determined by the Company's management structure and internal financial reporting. Each of these segments has its own management. All of these segments operate in the financial services industry. They derive their revenues principally from wealth management operations (mutual funds, investment management, annuities, trust operations and banking) and protection services (life and health insurance). Corporate and other represents amounts not attributed to wealth management and protection. It primarily includes investments of a corporate nature and earnings on capital not attributed to the strategic business units.

Other operations include those operations for which management responsibility resides in head office. As the Company's reinsurance operations are treated as a discontinued operation, net operating income does not include these results. However the Company's reinsurance operations are included in other operations' assets. Net operating income in this category is shown net of certain expenses borne centrally.

The revenue by major product category includes premiums, net investment income (which is detailed in Note 25) and fee income. Inter-segment revenue consists of interest of \$141 in 2000 (\$81 in 1999 and \$102 in 1998) and fee income of \$33 in 2000 (\$26 in 1999 and \$28 in 1998). The major non-cash item is the change in actuarial liabilities which is separately disclosed.

Transactions occurring between segments consist primarily of internal financing agreements. Inter-segment transactions are measured at market values prevailing when the arrangements were negotiated.

The results of the segments' operations are described in the Management Discussion and Analysis. In 1998, the unusual actuarial liability changes referred to in Note 29 are included in United Kingdom wealth management for the minimum annuity rate guarantees, and United Kingdom protection for the individual life policies change. The cost of provisions for prior pension sales referred to in Note 29 are included in United Kingdom wealth management.



Results by segment for the years ended December 31

2000

REVENUE

	Canada	United States Sun Life	MFS	United Kingdom	Asia	Other	Consolidation Adjustments	Total
Wealth management	\$ 1,501	\$ 4,406	\$ 2,382	\$ 855	\$ (1)	\$ 10	\$ (33)	\$ 9,120
Protection	2,437	2,680	-	1,405	414	15	-	6,951
Corporate and other	8	73	-	-	-	195	(141)	135
Total revenue	\$ 3,946	\$ 7,159	\$ 2,382	\$ 2,260	\$ 413	\$ 220	\$ (174)	\$ 16,206
Change in actuarial liabilities	\$ 245	\$ 1,157	\$ -	\$ 349	\$ 115	\$ 1	\$ -	\$ 1,867
Interest on claims and deposits	\$ 69	\$ 17	\$ -	\$ 125	\$ 27	\$ -	\$ -	\$ 238
Interest expenses	\$ 34	\$ 64	\$ 29	\$ 37	\$ -	\$ 136	\$ (141)	\$ 159
Income taxes	\$ 131	\$ 28	\$ 176	\$ 24	\$ 12	\$ 8	\$ -	\$ 379

NET OPERATING INCOME (LOSS)

Wealth management	\$ 69	\$ 73	\$ 256	\$ 107	\$ (13)	\$ 8	\$ (31)	\$ 469
Protection	127	99	-	62	40	2	-	330
Corporate and other	(1)	56	-	(50)	-	(33)	31	3
Net operating income (loss)	\$ 195	\$ 228	\$ 256	\$ 119	\$ 27	\$ (23)	\$ -	\$ 802

1999

REVENUE

Wealth management	\$ 1,571	\$ 3,270	\$ 1,822	\$ 1,082	\$ -	\$ 7	\$ (26)	\$ 7,726
Protection	2,343	2,485	-	1,538	401	4	-	6,771
Corporate and other	47	80	-	33	-	165	(81)	244
Total revenue	\$ 3,961	\$ 5,835	\$ 1,822	\$ 2,653	\$ 401	\$ 176	\$ (107)	\$ 14,741
Change in actuarial liabilities	\$ 293	\$ (36)	\$ -	\$ 635	\$ 110	\$ 2	\$ -	\$ 1,004
Interest on claims and deposits	\$ 156	\$ 34	\$ -	\$ 110	\$ 25	\$ -	\$ -	\$ 325
Interest expenses	\$ -	\$ 64	\$ 29	\$ 11	\$ -	\$ 138	\$ (81)	\$ 161
Income taxes	\$ 151	\$ 56	\$ 147	\$ 45	\$ 11	\$ 8	\$ -	\$ 418

NET OPERATING INCOME (LOSS)

Wealth management	\$ 75	\$ 61	\$ 187	\$ (333)	\$ (2)	\$ 6	\$ (25)	\$ (31)
Protection	114	148	-	14	40	1	-	317
Corporate and other	31	27	-	22	-	(57)	25	48
Net operating income (loss)	\$ 220	\$ 236	\$ 187	\$ (297)	\$ 38	\$ (50)	\$ -	\$ 334

1998

REVENUE

Wealth management	\$ 1,463	\$ 2,289	\$ 1,306	\$ 1,055	\$ -	\$ 1	\$ (28)	\$ 6,086
Protection	2,147	2,483	-	1,523	344	4	-	6,501
Corporate and other	21	64	-	23	-	288	(102)	294
Total revenue	\$ 3,631	\$ 4,836	\$ 1,306	\$ 2,601	\$ 344	\$ 293	\$ (130)	\$ 12,881
Change in actuarial liabilities	\$ (52)	\$ (191)	\$ -	\$ 626	\$ 87	\$ 10	\$ -	\$ 480
Interest on claims and deposits	\$ 158	\$ 41	\$ -	\$ 100	\$ 21	\$ -	\$ -	\$ 320
Interest expenses	\$ 1	\$ 81	\$ 23	\$ 59	\$ -	\$ 120	\$ (102)	\$ 182
Income taxes	\$ 96	\$ 28	\$ 88	\$ 31	\$ 10	\$ 21	\$ -	\$ 274

NET OPERATING INCOME (LOSS)

Wealth management	\$ 100	\$ 59	\$ 113	\$ (532)	\$ -	\$ 1	\$ (21)	\$ (280)
Protection	111	201	-	203	28	5	-	548
Corporate and other	55	(15)	-	(7)	-	80	21	134
Net operating income (loss)	\$ 266	\$ 245	\$ 113	\$ (336)	\$ 28	\$ 86	\$ -	\$ 402

Assets by segment as at December 31	Canada	United States Sun Life	MFS	United Kingdom	Asia	Other	Consolidation Adjustments	Total
2000								
GENERAL FUND ASSETS								
Wealth management	\$ 7,624	\$ 8,053	\$ 1,787	\$ 6,793	\$ 35	\$ 159	\$ (5)	\$ 24,446
Protection	9,381	9,157	-	6,940	1,430	100	-	27,008
Corporate and other	654	372	-	384	-	3,211	(273)	4,348
Total	\$ 17,659	\$ 17,582	\$ 1,787	\$ 14,117	\$ 1,465	\$ 3,470	\$ (278)	\$ 55,802
SEGREGATED FUNDS NET ASSETS								
Wealth management	\$ 8,720	\$ 26,551	\$ -	\$ 10,133	\$ -	\$ -	\$ -	\$ 45,404
Protection	-	1,579	-	1,758	-	-	-	3,337
Corporate and other	-	-	-	-	-	-	-	-
Total	\$ 8,720	\$ 28,130	\$ -	\$ 11,891	\$ -	\$ -	\$ -	\$ 48,741
OTHER ASSETS UNDER MANAGEMENT								
Wealth management	\$ 24,153	\$ 1,588	\$ 221,045	\$ 3,653	\$ 7	\$ -	\$ (26,456)	\$ 223,990
Protection	-	-	-	-	-	-	-	-
Corporate and other	-	-	-	-	-	-	-	-
Total	\$ 24,153	\$ 1,588	\$ 221,045	\$ 3,653	\$ 7	\$ -	\$ (26,456)	\$ 223,990
1999								
GENERAL FUND ASSETS								
Wealth management	\$ 9,584	\$ 6,772	\$ 1,486	\$ 6,684	\$ 39	\$ 156	\$ (2)	\$ 24,719
Protection	8,895	8,111	-	6,798	1,309	36	-	25,149
Corporate and other	801	991	-	397	-	2,786	(92)	4,883
Total	\$ 19,280	\$ 15,874	\$ 1,486	\$ 13,879	\$ 1,348	\$ 2,978	\$ (94)	\$ 54,751
SEGREGATED FUNDS NET ASSETS								
Wealth management	\$ 8,183	\$ 24,131	\$ -	\$ 11,378	\$ -	\$ -	\$ -	\$ 43,692
Protection	-	202	-	2,120	-	-	-	2,322
Corporate and other	-	-	-	-	-	-	-	-
Total	\$ 8,183	\$ 24,333	\$ -	\$ 13,498	\$ -	\$ -	\$ -	\$ 46,014
OTHER ASSETS UNDER MANAGEMENT								
Wealth management	\$ 21,889	\$ 723	\$ 198,908	\$ 3,899	\$ -	\$ -	\$ (24,881)	\$ 200,538
Protection	-	-	-	-	-	-	-	-
Corporate and other	-	-	-	-	-	-	-	-
Total	\$ 21,889	\$ 723	\$ 198,908	\$ 3,899	\$ -	\$ -	\$ (24,881)	\$ 200,538
1998								
GENERAL FUND ASSETS								
Wealth management	\$ 9,827	\$ 8,377	\$ 1,285	\$ 6,897	\$ -	\$ 182	\$ -	\$ 26,568
Protection	8,308	8,446	-	6,700	1,215	40	-	24,709
Corporate and other	282	762	-	(119)	-	3,315	(1,198)	3,042
Total	\$ 18,417	\$ 17,585	\$ 1,285	\$ 13,478	\$ 1,215	\$ 3,537	\$ (1,198)	\$ 54,319
SEGREGATED FUNDS NET ASSETS								
Wealth management	\$ 6,053	\$ 19,745	\$ -	\$ 11,206	\$ -	\$ -	\$ -	\$ 37,004
Protection	-	176	-	2,033	-	-	-	2,209
Corporate and other	-	-	-	-	-	-	-	-
Total	\$ 6,053	\$ 19,921	\$ -	\$ 13,239	\$ -	\$ -	\$ -	\$ 39,213
OTHER ASSETS UNDER MANAGEMENT								
Wealth management	\$ 19,007	\$ 2,114	\$ 151,915	\$ 3,861	\$ -	\$ -	\$ (19,823)	\$ 157,074
Protection	-	-	-	-	-	-	-	-
Corporate and other	-	-	-	-	-	-	-	-
Total	\$ 19,007	\$ 2,114	\$ 151,915	\$ 3,861	\$ -	\$ -	\$ (19,823)	\$ 157,074



The following table shows revenue, net income and assets by territory for the Company's other operations:

	2000	1999	1998
Revenue:			
Corporate and other			
United States	\$ 119	\$ 162	\$ 254
Other countries	76	3	34
	195	165	288
Other countries	25	11	5
Total revenue	<u>\$ 220</u>	<u>\$ 176</u>	<u>\$ 293</u>
Net operating income (loss):			
Corporate and other			
United States	\$ (11)	\$ 6	\$ 92
Other countries	(22)	(63)	(12)
	(33)	(57)	80
Other countries	10	7	6
Total net operating income (loss)	<u>\$ (23)</u>	<u>\$ (50)</u>	<u>\$ 86</u>
Assets:			
General funds:			
Corporate and other			
United States	\$ 2,337	\$ 2,178	\$ 1,630
Other countries	874	608	1,685
	3,211	2,786	3,315
Other countries	259	192	222
Total assets	<u>\$ 3,470</u>	<u>\$ 2,978</u>	<u>\$ 3,537</u>

31. Derivative Financial Instruments

The Company uses derivative instruments, including interest rate swaps, swaptions, currency swaps, financial futures, options and forward contracts, to manage risks associated with currency, interest rate and stock market fluctuations. The outstanding notional amounts and fair values are shown in the following tables.

The main focus of the Company's derivative management is on using:

- interest rate swaps, financial futures, options and swaptions to manage its exposure to interest rate fluctuations associated with interest-sensitive portfolios;
- currency swaps to reduce exposure to foreign exchange fluctuations associated with cross-currency investments; and
- financial futures and options to reduce exposure to stock market fluctuations.

During 1998, the Company started using swaptions in the United Kingdom, to replace the dynamic hedging strategy entered into during 1998, to hedge against the impact of downward interest rates associated with the minimum annuity rate guarantees. During 2000, the Company completed the replacement of its dynamic hedging strategy of interest rate futures with a long-term hedge strategy based upon the use of swaptions and other investments.

Models are utilized by the Company to ensure the continuing effectiveness of hedging strategies. The Company monitors the gap in duration between assets and liabilities for specific insurance and annuity business segments. That gap is managed within defined tolerance limits, including through the use of derivative instruments. Hedging instruments put in place by the Company are marked to market values and derivative positions are reported to the Board of Directors of the Company quarterly.

Derivative instruments are either exchange-traded or over-the-counter contracts negotiated between two counterparties. The notional amounts of the over-the-counter and exchange traded contracts are \$6,966 (\$6,407 in 1999) and \$359 (\$1,636 in 1999), respectively. Since counterparty failure in a derivative transaction could render it ineffective for hedging purposes, the Company transacts its derivative contracts with counterparties rated AA or better. In limited circumstances, the Company will enter into transactions with lower rated counterparties if credit enhancement features are included.

The Company has the following amounts outstanding at December 31:

	2000							
	Fair Value		Notional Amounts			Total Notional Amount	Credit Equivalent Amount	Risk- Weighted Amount
			Term to Maturity					
	Positive	Net	Under 1 year	One to 5 years	Over 5 years			
Interest rate contracts	\$ 128	\$ 43	\$ 605	\$2,158	\$2,937	\$5,700	\$ 183	\$ 3
Foreign exchange contracts	19	(42)	28	822	119	969	69	1
Equity and other contracts	21	(7)	384	131	141	656	38	1
Total	\$ 168	\$ (6)	\$1,017	\$3,111	\$3,197	\$7,325	\$ 290	\$ 5

	1999							
	Fair Value		Notional Amounts			Total Notional Amount	Credit Equivalent Amount	Risk- Weighted Amount
			Term to Maturity					
	Positive	Net	Under 1 year	One to 5 years	Over 5 years			
Interest rate contracts	\$ 137	\$ 102	\$1,701	\$1,727	\$1,983	\$5,411	\$ 175	\$ 3
Foreign exchange contracts	3	(51)	25	59	327	411	30	1
Equity and other contracts	73	55	2,127	94	-	2,221	208	3
Total	\$ 213	\$ 106	\$3,853	\$1,880	\$2,310	\$8,043	\$ 413	\$ 7

The positive fair value is the maximum credit risk and the net fair value is the netted positive and negative fair value of derivative financial instruments. Fair value of interest rate swap contracts and foreign exchange swap contracts is determined by discounting expected future cash flows using current market interest and exchange rates for similar instruments. Fair value of options and financial futures is based on the value of underlying securities or indices, or the quoted market price.

The notional amount is the face value of the underlying asset or liability from which the value of the derivative is derived. The credit risk exposure, if the counterparties were to default, is indicated by the cost of replacing, at current market rates, all contracts with a positive fair value as shown above. The credit equivalent amount is the credit risk exposure plus an amount for potential future credit exposure. The risk-weighted amount is a measure of credit risk, which represents the credit equivalent amount weighted according to the nature of the derivative and the creditworthiness of the counterparty. This measure is used to determine the amount of capital necessary to support derivative transactions for certain Canadian regulatory purposes. The credit equivalent and risk-weighted amounts have been determined in accordance with guidelines provided by the Office of the Superintendent of Financial Institutions Canada.

32. Summary of Material Differences Between Accounting Principles Generally Accepted in Canada and in the United States

The Company's Consolidated Financial Statements are prepared in accordance with accounting principles generally accepted in Canada (Cdn. GAAP), including the requirements of the Office of the Superintendent of Financial Institutions Canada. These accounting principles differ in certain material respects from accounting principles generally accepted in the United States (U.S. GAAP). The differing basis of accounting changes the incidence of profit recognition over the life of an insurance contract. Regardless of the accounting basis chosen, the total profit of an insurance contract will not change. The financial statement impact and a description of the material differences follow.

a) Reconciliation of selected Cdn. GAAP financial statement information to U.S. GAAP:

i) Consolidated statements of operations:

	2000		1999		1998	
	Cdn. GAAP	U.S. GAAP	Cdn. GAAP	U.S. GAAP	Cdn. GAAP	U.S. GAAP
REVENUE						
Premiums	\$ 9,113	\$ 4,687	\$ 8,022	\$ 4,615	\$ 6,832	\$ 4,548
Net investment income	3,776	3,179	4,113	3,730	4,035	4,039
Net realized gains	-	460	-	238	-	1,059
Fee income	3,317	3,217	2,606	2,538	2,014	2,075
	<u>16,206</u>	<u>11,543</u>	<u>14,741</u>	<u>11,121</u>	<u>12,881</u>	<u>11,721</u>
POLICY BENEFITS AND EXPENSES						
Payments to policyholders, beneficiaries and depositors	9,034	5,346	9,305	5,581	8,492	5,355
Increase in actuarial liabilities	1,867	787	1,004	1,997	480	2,371
Acquisition expense amortization	265	693	235	481	169	380
Other expenses	3,859	3,127	3,445	2,771	3,064	2,407
Confederation Life goodwill write-off	-	-	-	-	260	312
	<u>15,025</u>	<u>9,953</u>	<u>13,989</u>	<u>10,830</u>	<u>12,465</u>	<u>10,825</u>
Operating income before income taxes	1,181	1,590	752	291	416	896
Income taxes	379	439	418	299	274	329
Net operating income (loss) before discontinued operations and extraordinary item	802	1,151	334	(8)	142	567
Loss for discontinued operations, net of taxes	-	-	170	180	88	85
Income (loss) before extraordinary item	802	1,151	164	(188)	54	482
Extraordinary item – demutualization expenses*	-	(45)	-	(64)	-	(34)
Total net income (loss)	802	1,106	164	(252)	54	448
Less:						
Net income (loss) from mutual operations (prior to demutualization)	179	222	164	(252)	54	448
Participating policyholders' net income (loss) (after demutualization)	(6)	-	-	-	-	-
Shareholders' net income (after demutualization)	\$ 629	\$ 884	\$ -	\$ -	\$ -	\$ -

* Demutualization expenses were incurred up to the date of demutualization and not attributed to shareholders

Earnings per share from March 22 to December 31, 2000

Net income attributable to shareholders	\$ 629	\$ 884
Weighted average common shares outstanding (in millions)	421	421
Basic earnings per common share	\$ 1.49	\$ 2.10
Fully diluted earnings per common share**	\$ 1.49	\$ 2.09

** Under Cdn. GAAP, options held within the subsidiaries' operations, when exercised, are anti-dilutive, as the gains on issuance of shares would increase shareholders' net income.
Under U.S. GAAP, the gains are treated as equity transactions

ii) Comprehensive income:

U.S. GAAP includes the concept of comprehensive income. Comprehensive income is a measure of changes in the equity of the Company during the year. It includes both net income and other comprehensive income. Other comprehensive income for the year includes such items as the movement in the foreign currency translation account and the unrealized gains and losses on available for sale securities. Other comprehensive income also includes the changes to deferred acquisition costs and other liabilities, as well as the income tax impact arising from the unrealized gains and losses on available for sale securities.

	2000	1999	1998
Other comprehensive income:			
Foreign currency translation account movement for the year	\$ 6	\$ (487)	\$ 411
Unrealized gains and losses movement for the year:			
Unrealized gains and losses on available for sale bonds	583	(1,846)	697
Unrealized gains and losses on available for sale stocks	(174)	109	(326)
Changes to deferred acquisition costs and other liabilities	(365)	1,016	(210)
Other	(24)	(78)	64
Income taxes	(103)	204	(54)
	(83)	(595)	171
Total other comprehensive income (loss)	(77)	(1,082)	582
Net income (loss) based on U.S. GAAP	1,106	(252)	448
Comprehensive income (loss)	1,029	(1,334)	1,030
Less:			
Comprehensive income (loss) from mutual operations (prior to demutualization)	168	(1,334)	1,030
Shareholders' comprehensive income (after demutualization)	\$ 861	\$ -	\$ -

iii) Consolidated balance sheets:

	2000		1999	
	Cdn. GAAP	U.S. GAAP	Cdn. GAAP	U.S. GAAP
ASSETS				
Bonds	\$ 27,534		\$ 25,545	
Bonds – available for sale		\$ 26,286		\$ 24,702
Bonds – trading		2,552		1,672
Mortgages	10,179	10,176	11,477	11,475
Stocks	4,583		4,689	
Stocks – available for sale		1,851		2,072
Stocks – trading		2,694		3,329
Real estate	2,327	1,964	2,403	1,996
Policy loans	1,276	1,276	1,238	1,238
Cash and cash equivalents	2,503	2,503	1,998	1,998
Short-term securities*	1,459	1,459	1,445	1,445
Other invested assets	1,140	771	1,191	719
Invested assets	51,001	51,532	49,986	50,646
Deferred acquisition costs	1,212	6,013	1,050	5,794
Future income taxes**	334	30	443	216
Other assets	3,255	3,742	3,272	3,298
Segregated funds assets***		49,937		47,011
Total consolidated assets	\$ 55,802	\$ 111,254	\$ 54,751	\$ 106,965
Segregated funds net assets***	\$ 48,741		\$ 46,014	
LIABILITIES AND EQUITY				
Actuarial liabilities	\$ 33,390	\$ 29,908	\$ 32,370	\$ 29,260
Contract holder deposits		10,690		10,208
Other policy liabilities	1,632	1,228	1,925	1,483
Amounts on deposit	3,864	3,819	5,260	5,215
Future income taxes**	325	973	334	904
Deferred net realized gains	3,725		3,356	
Other liabilities	4,520	4,787	4,024	4,338
Total consolidated liabilities	47,456	51,405	47,269	51,408
Subordinated debt	749	749	734	734
Cumulative capital securities of a subsidiary	900	941	870	911
Segregated funds liabilities***		49,539		46,532
Equity	6,697	8,620	5,878	7,380
Total consolidated liabilities and equity	\$ 55,802	\$ 111,254	\$ 54,751	\$ 106,965
Segregated funds contract liabilities***	\$ 48,741		\$ 46,014	

iv) Consolidated statements of equity:

	2000		1999	
	Cdn. GAAP	U.S. GAAP	Cdn. GAAP	U.S. GAAP
Post-demutualization participating policyholders' capital account:				
Balance, beginning of year	\$ -	\$ -	\$ -	\$ -
Transfers from retained earnings	84	-	-	-
Net income (loss) as a stock company for participating policyholders	(6)	-	-	-
Balance, end of year	78	-	-	-
Shareholders' equity:				
Paid in capital				
Balance, beginning of year	-	-	-	-
Transfer from surplus on demutualization	-	6,531	-	-
New common shares issued*	844	844	-	-
Commissions and offering costs, net of taxes*	(49)	(20)	-	-
Shares sold on behalf of certain policyholders on demutualization	-	(369)	-	-
Balance, end of year	795	6,986	-	-
Retained earnings				
Balance, beginning of year	-	-	-	-
Transfer from surplus on demutualization	5,353	-	-	-
Transfers to participating policyholders' accounts	(84)	-	-	-
Shares sold on behalf of certain policyholders on demutualization	(369)	-	-	-
Net income as a stock company attributed to shareholders	629	884	-	-
Dividends paid to shareholders	(51)	(51)	-	-
Subsidiary equity transaction (after demutualization)	-	10	-	-
Balance, end of year	5,478	843	-	-
Currency translation account				
Balance, beginning of year	389	391	756	878
Changes for the period (prior to demutualization)	(20)	(27)	(367)	(487)
Changes for the period (after demutualization)	(23)	33	-	-
Balance, end of year	346	397	389	391
Unrealized gains and losses				
Balance, beginning of year	-	477	-	1,072
Changes for the period (prior to demutualization)	-	(27)	-	(595)
Changes for the period (after demutualization)	-	(56)	-	-
Balance, end of year	-	394	-	477
Mutual company surplus (prior to demutualization):				
Balance, beginning of year	5,489	6,512	5,325	6,737
Subsidiary equity transaction (prior to demutualization)	-	(2)	-	27
Demutualization costs, net of taxes**	(114)	-	-	-
Net income (loss) as a mutual company	179	222	164	(252)
Cash distribution to policyholders on demutualization	(201)	(201)	-	-
Transfers to shareholders' paid-in capital on demutualization	-	(6,531)	-	-
Transfer to retained earnings on demutualization	(5,353)	-	-	-
Balance, March 22, 2000 and December 31, 1999, respectively	-	-	5,489	6,512
Total equity	\$ 6,697	\$ 8,620	\$ 5,878	\$ 7,380

* Shown as common stock under Cdn. GAAP

** Treated as an extraordinary item under U.S. GAAP

v) Effect of material differences between Cdn. GAAP and U.S. GAAP net income:

For the material differences between Cdn. GAAP and U.S. GAAP net income listed below, please refer to the following section for a description of the differences in accounting policies.

	2000	1999	1998
Net income in accordance with Cdn. GAAP	\$ 802	\$ 164	\$ 54
Adjustments related to:			
Investments:			
Bonds	8	137	619
Stocks	(220)	38	354
Derivative instruments	26	(234)	154
Real estate	60	5	(2)
Total investments	(126)	(54)	1,125
Deferred acquisition costs:			
Deferred acquisition costs - deferred	644	519	535
Deferred acquisition costs - amortization and interest	(428)	(246)	(211)
Total deferred acquisition costs	216	273	324
Actuarial liabilities & other policyholder revenues and expenses:			
Premium and fees revenue	(4,155)	(3,215)	(2,059)
Payments to policyholders, beneficiaries and depositors	3,688	3,724	3,137
Actuarial liabilities	1,080	(993)	(1,891)
Total actuarial liabilities & other policyholder revenues and expenses	613	(484)	(813)
Other	(294)	(206)	(101)
Confederation Life goodwill write-off	-	-	(52)
Income tax effect of above adjustments	(60)	119	(55)
Extraordinary demutualization expense	(45)	(64)	(34)
Net income (loss) in accordance with U.S. GAAP	\$ 1,106	\$ (252)	\$ 448

b) The following describes the material accounting policy differences between Cdn. GAAP and U.S. GAAP applicable to the Company:

For a complete description of Cdn. GAAP accounting and actuarial policies, please refer to Notes 1 and 2, respectively.

i) Bonds: Under Cdn. GAAP, bonds are carried at amortized cost. Realized gains and losses are deferred and amortized to income using the constant yield method over the remaining period to maturity. Under U.S. GAAP, bonds are carried at market value. The bonds are classified as available for sale or trading and unrealized gains and losses are included in other comprehensive income if classified as available for sale, and included in net income if classified as trading. Realized gains and losses are included in net income when realized.

For purposes of U.S. GAAP, at December 31, 2000 and 1999, the Company has classified as available for sale bonds with an amortized cost of \$25,136 and \$24,113, respectively, and fair value of \$26,286 and \$24,702, respectively. Gross realized gains and gross realized losses on available for sale bonds of \$139 and \$205, respectively, in 2000, \$234 and \$115, respectively, in 1999 and \$435 and \$26, respectively, in 1998 are included in U.S. GAAP net realized gains. For bonds classified as trading, the change in net unrealized gains and losses for the years ended December 31, 2000, 1999 and 1998 of \$115, \$132 and \$318, respectively, are included in U.S. GAAP net investment income.



ii) Stocks: Under Cdn. GAAP, stocks are originally recorded at cost. The carrying value is adjusted annually by 15% of the difference between market value and previously adjusted carrying value. Realized gains and losses are deferred and amortized into income at the rate of 15% per year. Under U.S. GAAP, stocks are carried at market value. The stocks are classified as available for sale or trading and unrealized gains and losses are included in other comprehensive income if classified as available for sale, and included in net income if classified as trading. Realized gains and losses are included in net income when realized.

For purposes of U.S. GAAP, at December 31, 2000 and 1999, the Company has classified as available for sale investments in stocks with a cost of \$1,630 and \$1,672, respectively, and fair value of \$1,851 and \$2,072, respectively. Gross realized gains and gross realized losses on available for sale stocks of \$474 and \$110, respectively, in 2000, \$332 and \$138, respectively, in 1999, and \$527 and \$82, respectively, in 1998 are included in U.S. GAAP net realized gains. For stocks classified as trading, the change in net unrealized gains and (losses) for the years ended December 31, 2000, 1999 and 1998 of \$(235), \$265 and \$308, respectively, are included in U.S. GAAP net investment income.

iii) Real estate: Under Cdn. GAAP, real estate held for investment is originally recorded at cost. The carrying value is adjusted annually by 10% of the difference between market value and previously adjusted carrying value. Realized gains and losses on sales are deferred and recognized into income at the rate of 10% per year. Under U.S. GAAP, real estate held for investment is carried at depreciated cost. Realized gains and losses on sales are reflected in income when realized.

Accumulated depreciation on real estate was \$372 and \$428 at December 31, 2000 and 1999, respectively. Depreciation expense was \$9 in 2000, \$43 in 1999 and \$44 in 1998.

iv) Derivatives: Under Cdn. GAAP, all the Company's derivatives are eligible for hedge accounting. Realized gains and losses are treated in a manner consistent with realized gains and losses of the underlying hedged assets or liabilities. The reporting basis does not affect the economic viability of any hedges. However, as a result of the different measurement basis for the underlying liability under U.S. GAAP, the hedging program to limit losses that would otherwise arise upon further interest rate losses in the United Kingdom does not meet the criteria for hedge accounting under U.S. GAAP reporting. Under U.S. GAAP, market value adjustments are recognized in income for non-hedges, or on the same basis as the underlying assets for hedges. On January 1, 2001, the accounting for derivatives under U.S. GAAP will be changed due to the implementation of Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" as described in Note 32 d).

v) Deferred acquisition costs: Under Cdn. GAAP, costs of acquiring new insurance and annuity business, primarily commissions, underwriting, issue expenses and agency expenses, are implicitly recognized in actuarial liabilities. The effect is to recognize these expenses over the premium paying period. U.S. GAAP requires the explicit deferral of acquisition costs. Amortization of such costs is dependent on the product to which the costs relate. For participating life insurance contracts, except for participating policies in the United Kingdom, amortization is based on a constant percentage of gross margin. For universal life and investment-type contracts, amortization is based on a constant percentage of gross profit. For participating policies in the United Kingdom as well as non-participating products, including term, group and disability insurance, amortization is based on a constant percentage of premium. In cases where amortization is based on gross profit or margin, and available for sale bonds or stocks are used to support the underlying contract liability or actuarial reserve, a portion of the unrealized gains and losses balance is removed from equity and netted against the deferred acquisition cost balance.

Deferred acquisition costs under U.S. GAAP amount to \$6,013 at December 31, 2000 (\$5,794 at December 31, 1999). Amortization charged to income was \$693 in 2000, \$481 in 1999 and \$380 in 1998.

vi) Future income tax asset and liability*: Under both Cdn. and U.S. GAAP, the Company provides for future income taxes on temporary differences between book and tax assets and liabilities. Differences between Cdn. GAAP and U.S. GAAP arise from differing accounting policies for assets and liabilities, the presentation of a valuation allowance in U.S. GAAP for future tax assets and differences in the recognition of tax rate changes. Differences are as follows:

	2000			
	Future income tax asset*		Future income tax liability*	
	Cdn. GAAP	U.S. GAAP	Cdn. GAAP	U.S. GAAP
Investments	\$ 192	\$ (11)	\$ 17	\$ 743
Actuarial liabilities	(244)	530	54	(797)
Deferred acquisition costs	129	(412)	282	1,289
Operating loss carry forwards	184	-	(73)	(880)
Other	73	(77)	45	147
Future tax asset/liability before valuation allowance	334	30	325	502
Valuation allowance for future tax assets	-	-	-	471
Total	\$ 334	\$ 30	\$ 325	\$ 973

	1999			
	Future income tax asset*		Future income tax liability*	
	Cdn. GAAP	U.S. GAAP	Cdn. GAAP	U.S. GAAP
Investments	\$ 65	\$ 95	\$ 30	\$ 746
Actuarial liabilities	(129)	589	95	(434)
Deferred acquisition costs	124	(462)	253	1,227
Operating loss carryforwards	245	-	(95)	(938)
Other	138	(6)	51	63
Future tax asset/liability before valuation allowance	443	216	334	664
Valuation allowance for future tax assets	-	-	-	240
Total	\$ 443	\$ 216	\$ 334	\$ 904

* U.S. GAAP terminology is deferred income tax

vii) Actuarial liabilities and contract holder deposits: Under Cdn. GAAP, actuarial liabilities are calculated in accordance with generally accepted actuarial practice. This method uses best estimate assumptions for future experience factors adjusted to provide inclusion margins for adverse deviation in each experience factor. Under U.S. GAAP, actuarial liabilities for participating life policies, except those in the United Kingdom, are computed using a net level premium reserve method with interest and mortality assumptions based primarily upon those assumptions used for establishing the cash surrender values in the contract. For universal life-type and investment contracts, contract holder deposits represent account balances and U.S. GAAP liabilities primarily equal account value balances. The account values represent an accumulation of gross deposits received plus credited interest less withdrawals, expenses and mortality charges. Non-participating products, include term, group and disability insurance, as well as participating contracts in the United Kingdom. For these products, a net level premium method is used with assumptions locked in at time of issue, unless the business is in a loss position, in which case, a best estimate gross premium valuation is used.



viii) Deferred net realized gains: Cdn. GAAP defers and amortizes realized gains and losses on sales of invested assets. Under U.S. GAAP, realized gains and losses are recognized in income immediately.

ix) Premium revenue, fee income, maturities and surrenders, and interest on claims and deposits: Under Cdn. GAAP, premiums for universal life and other investment-type contracts are recorded as revenue, and a liability for future policy benefits is established as a charge to income. Interest accrued on contracts is shown as an increase in actuarial liabilities. Payments to contract holders upon maturity are reflected as an expense with an offsetting reduction to the increase in actuarial liabilities. Under U.S. GAAP, amounts received for universal life and investment-type contracts are not included in the income statement but are reported as deposits to contract holder account balances. Revenues from these contracts are limited to amounts assessed against policyholders' account balances for mortality, policy administration and surrender charges, and are included in fee income when earned. Interest accrued on contracts is included in interest on claims and deposits. Payments upon maturity or surrender are reflected as reductions to the contract holder deposits on the balance sheet. Other payments in excess of the account value, such as death claims, are reflected as an expense.

x) Confederation Life goodwill write-off: Under Cdn. GAAP, goodwill is amortized on a straight line basis. Under U.S. GAAP, certain components of goodwill are amortized on a gross profits basis. The higher unamortized balance for Confederation Life goodwill was written-off under U.S. GAAP in 1998.

xi) Segregated funds*: Under Cdn. GAAP, assets and liabilities of segregated funds are shown separately from general assets and liabilities of the Company. U.S. GAAP requires these separate accounts to be included within the financial statements of the Company. Under Cdn. GAAP, the Company's investment in segregated funds is included in other invested assets. Under U.S. GAAP, any excess of the separate account assets over separate account liabilities represents the Company's investment in segregated funds. Under Cdn. GAAP, the Company's segregated fund liabilities to policyholders are measured at surrender value. Under U.S. GAAP, the Company's separate account liabilities to policyholders are carried at an amount equal to the accumulated separate account assets attributable to policyholders.

* U.S. GAAP terminology is separate accounts

xii) Demutualization: To reflect demutualization under Cdn. GAAP, the surplus of the Company was transferred to retained earnings in the consolidated statements of Sun Life Financial as it was accounted for on a continuity of interest basis as a continuation of the historical operations of the Company. Under U.S. GAAP, the mutual company surplus at demutualization was transferred to the paid-in capital equity account of Sun Life Financial and retained earnings includes only net income after demutualization.

For 1999 and 1998, under Cdn. GAAP certain demutualization costs were capitalized. Under U.S. GAAP these costs are treated as an extraordinary item, net of tax. For 2000, demutualization and public offering costs under Cdn. GAAP are a capital transaction reducing surplus. Under U.S. GAAP, demutualization and secondary offering costs are an extraordinary expense.

c) **Statements of cash flows: Under Cdn. GAAP, deposits, maturities and withdrawals related to investment-type contracts and universal life contracts are included in operating activities. Under U.S. GAAP, deposits, maturities and withdrawals are reflected as financing activities; these cash flow items are as follows:**

	2000	1999	1998
Deposits and withdrawals reclassified to financing activities:			
Deposits to policyholders' accounts	\$ 4,100	\$ 3,174	\$ 1,995
Withdrawals from policyholders' accounts	\$ 4,279	\$ 4,400	\$ 3,796

d) **U.S. generally accepted accounting standard not yet adopted by the Company:** Beginning January 1, 2001, the Company will be adopting Statement of Financial Accounting Standards No. 133 "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133) and the corresponding amendments under Statement of Financial Accounting Standards No. 138 (SFAS 138). The statements do not form part of Cdn. GAAP, and therefore would not impact the Company's reported Cdn. GAAP results. However they could impact the Company's reconciliation of Cdn. GAAP net income to U.S. GAAP net income and related disclosures. SFAS 133 requires that all derivative financial instruments, be recognized in the financial statements and measured at fair value regardless of the purpose or intent for holding them. The definition of a derivative has also been expanded to include derivatives embedded in financial instruments or contracts that are not clearly and closely related to the economic characteristics of the host financial instrument or contract. Changes in the fair value of all derivative financial instruments are either recognized periodically in income or shareholders' equity (as a component of comprehensive income), depending on whether the derivative is being used in a designated hedging relationship and whether it is a hedge of changes in fair value or cash flows. SFAS 138 amends certain provisions of SFAS 133 to clarify four areas causing difficulties in implementation.

As of January 1, 2001, the cumulative effect of adopting SFAS 133, as amended by SFAS 138, is not expected to have a material impact on the Company's consolidated results of operations, financial position or cash flows under U.S. GAAP.

33. Subsequent Event

In February 2001, the Board of Directors approved a restructuring of the Company's United Kingdom operations. As a result, the Company has decided to exit the direct sales force business there. It is continuing to review the strategic position of its other businesses in the United Kingdom.

34. Comparative Figures

Certain comparative figures have been restated to conform with the presentation adopted in 2000.



Appointed Actuary's Report

THE SHAREHOLDERS AND DIRECTORS OF SUN LIFE FINANCIAL SERVICES OF CANADA INC.

I have valued the policy liabilities of Sun Life Financial Services of Canada Inc. for its Consolidated Balance Sheets at December 31, 2000 and 1999 and their change in the Consolidated Statements of Operations for the years then ended in accordance with accepted actuarial practice, including selection of appropriate assumptions and methods.

In my opinion, the amount of policy liabilities makes appropriate provision for all policyholders' obligations and the consolidated financial statements fairly present the results of the valuation.

Robert W. Wilson
Fellow, Canadian Institute of Actuaries

Toronto, Canada
February 14, 2001

Auditors' Report

THE SHAREHOLDERS, SUN LIFE FINANCIAL SERVICES OF CANADA INC.

We have audited the Consolidated Balance Sheets of Sun Life Financial Services of Canada Inc. and the separate Consolidated Statements of Segregated Funds Net Assets, as at December 31, 2000 and 1999, and the Consolidated Statements of Operations, Equity, Cash Flows and Changes in Segregated Funds Net Assets for each of the years in the three-year period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these Consolidated Financial Statements present fairly, in all material respects, the financial position of the Company and its segregated funds as at December 31, 2000 and 1999 and the results of the Company's operations, its cash flows and the changes in its segregated funds net assets for each of the years in the three-year period ended December 31, 2000 in accordance with Canadian generally accepted accounting principles including the accounting requirements of the Superintendent of Financial Institutions Canada.

Deloitte & Touche LLP
Chartered Accountants

Toronto, Canada
February 14, 2001

Eleven-Year Summary

(in millions of Canadian dollars)	10-Year Average Compound Growth Rate %	5-Year Average Compound Growth Rate %	2000	1999
ASSETS (As at December 31)				
General Fund Assets	8.1	5.7	55,802	54,751
Segregated Fund Assets	22.6	15.5	48,741	46,014
Other Assets Under Management	23.5	31.4	223,990	200,538
Total Assets Under Management	18.7	21.7	328,533	301,303
TOTAL EQUITY	9.3	6.6	6,697	5,878
OPERATING RESULTS (For the year ended December 31)				
Revenue				
Premiums				
Annuities	7.8	14.3	4,371	3,494
Life Insurance	8.9	5.4	3,455	3,332
Health Insurance	9.2	6.5	1,287	1,196
Total Premiums	8.4	9.3	9,113	8,022
Net Investment Income	4.9	2.1	3,776	4,113
Fee Income	23.6	31.9	3,317	2,606
Total Revenue	9.1	10.0	16,206	14,741
Payments to Policyholders, Beneficiaries and Depositors ¹	11.3	7.7	9,034	9,305
Increase in Actuarial Liabilities	N/A	8.6	1,867	1,004
Commissions & Expenses	13.0	15.3	3,965	3,519
Interest Expenses	15.4	18.5	159	161
Income Taxes	19.8	16.4	379	418
Net Operating Income	14.0	14.6	802	334
Confederation Life Goodwill Write-off	N/A	N/A	-	-
Net Income from Continuing Operations	14.0	14.6	802	334
Loss/(Net Income) for Discontinued Operations, net of income taxes	N/A	N/A	-	170
Total Net Income	13.6	14.5	802	164
BUSINESS STATISTICS				
Life Insurance in Force ²	8.2	3.3	561,389	673,322
Mutual Fund Sales	28.8	43.7	45,614	38,123
Managed Fund Sales ³	38.6	49.6	25,869	13,939
Segregated Fund Deposits	20.5	18.1	8,318	4,137
Employees	3.6	4.2	11,222	11,046

¹ Includes net transfers to segregated funds² Includes reinsurance assumed³ Includes intercompany sales

Note: 1991 financial statements were restated to reflect the adoption of GAAP accounting by the company in 1992. 1990 financial statements are presented in accordance with various accounting policies prescribed or permitted by the Superintendent of Financial Institutions, Canada and certain amounts have been restated to conform with subsequent years presentation.

Six-Year Summary by Industry

(in millions of Canadian dollars)	2000	1999	1998	1997	1996	1995
Total Assets Under Management (As at December 31)						
Wealth Management	293,840	268,949	220,646	158,839	117,155	101,661
Protection	30,345	27,471	26,918	23,074	20,913	18,465
Corporate and Other	4,348	4,883	3,042	4,341	3,711	3,161
Total Company	328,533	301,303	250,606	186,254	141,779	123,287
Net Operating Income (For the year ended December 31)						
Wealth Management	469	(31)	(280)	113	296	183
Protection	330	317	548	317	123	187
Corporate and Other	3	48	134	91	67	36
Total Company	802	334	402	521	486	406



Six- and Eleven-Year Summary

1998	1997	1996	1995	1994	1993	1992	1991	1990
54,319	49,700	45,709	42,382	40,297	34,070	31,324	28,459	25,558
39,213	30,519	26,250	23,709	20,313	10,615	8,428	7,356	6,351
157,074	106,035	69,820	57,196	46,465	44,069	37,078	31,124	27,117
250,606	186,254	141,779	123,287	107,075	88,754	76,830	66,939	59,026
6,081	5,715	5,152	4,868	4,576	4,073	3,822	3,350	2,740
2,409	2,488	1,916	2,241	2,409	1,917	2,057	2,353	2,071
3,313	2,955	2,822	2,658	2,418	2,192	1,962	1,656	1,473
1,110	1,062	994	941	789	674	647	572	532
6,832	6,505	5,732	5,840	5,616	4,783	4,666	4,581	4,076
4,035	3,788	3,482	3,408	2,759	2,588	2,628	2,618	2,331
2,014	1,427	1,107	830	679	556	476	407	400
12,881	11,720	10,321	10,078	9,054	7,927	7,770	7,606	6,807
8,492	7,620	6,459	6,242	4,676	4,223	3,994	3,573	3,090
480	697	928	1,238	2,141	2,003	1,921	2,370	2,233
3,051	2,536	2,132	1,947	1,798	1,542	1,528	1,310	1,168
182	145	95	68	29	18	51	56	38
274	201	221	177	120	(9)	42	33	62
402	521	486	406	290	150	234	264	216
260	-	-	-	-	-	-	-	-
142	521	486	406	290	150	234	264	216
88	10	(4)	(1)	(14)	(1)	-	(4)	(9)
54	511	490	407	304	151	234	268	225
670,094	588,773	514,337	476,657	421,082	343,653	300,831	276,127	254,969
33,849	18,791	13,150	7,453	6,628	7,025	5,198	3,504	3,626
12,255	10,304	3,860	3,448	3,324	1,306	1,047	1,215	987
4,345	3,430	3,719	3,619	2,174	2,095	1,567	1,232	1,292
10,717	10,200	9,750	9,150	9,150	8,300	8,200	8,150	7,900

Six-Year Summary by Segment

(in millions of Canadian dollars)

	2000	1999	1998	1997	1996	1995
Total Assets Under Management (As at December 31)						
Canada	50,532	49,352	43,477	38,397	28,233	25,448
United States: Sun Life	47,300	40,930	39,620	32,448	26,114	23,438
MFS	222,832	200,394	153,200	101,095	72,194	57,979
United Kingdom	29,661	31,276	30,578	24,552	22,461	22,069
Asia	1,472	1,348	1,215	893	902	721
Other	3,470	2,978	3,537	3,324	2,366	1,713
Consolidation Adjustments	(26,734)	(24,975)	(21,021)	(14,455)	(10,491)	(8,081)
Total Company	328,533	301,303	250,606	186,254	141,779	123,287
Net Operating Income (For the year ended December 31)						
Canada	195	220	266	249	153	109
United States: Sun Life	228	236	245	156	36	79
MFS	256	187	113	86	68	50
United Kingdom	119	(297)	(336)	(72)	105	74
Asia	27	38	28	36	37	34
Other	(23)	(50)	86	66	87	60
Total Company	802	334	402	521	486	406

Corporate Governance at Sun Life Financial

Sun Life Financial is governed by the Insurance Companies Act (Canada) which contains detailed provisions concerning corporate governance. In addition to the statutory requirements, the Board of Directors of the Corporation has developed further practices that it believes are important in the discharge of its duties.

The mandate of the Board of Directors is to manage or supervise the management of the business and affairs of the Corporation. Board approval is required for major decisions such as significant investment transactions, the acquisition of other businesses, and appointments to senior management. The Board reviews Sun Life Financial's financial statements on a quarterly basis and the strategic business plans annually, and monitors the progress of the Corporation toward achieving the financial and business plans. In addition, the Board is responsible for the integrity of the Corporation's internal controls and management information systems.

The Board held 11 scheduled Board meetings during 2000. In addition, Directors' education seminars are held several times during the year to provide background and perspective on the Corporation's ongoing activities. Time is also allotted each year to provide the Board with a comprehensive update of the Corporation's strategic business plans.

Maintaining the independence of the Board of Directors is critical to its effectiveness. The Nominating and Corporate Governance Committee recommends to the Board candidates suitable for nomination. Nominees are selected for qualities such as integrity, business acumen and business or professional expertise. The Corporation complies with the provisions of the Insurance Companies Act (Canada) and the guidelines of The Toronto Stock Exchange with regard to directors being independent of management of the Corporation. The Board currently consists of 16 Directors, all but one of whom are independent of the Corporation, the one affiliated Director being the Chairman and Chief Executive Officer. The Chief Executive Officer is not a member of any Committee of the Board. To further ensure Board independence from management, William W. Stinson, an independent Director, serves as Lead Director and enhances liaison between the Board and senior management. The Board meets on a regular basis throughout the year without the Chief Executive Officer or other members of management present.

The following is a brief summary of some of the key responsibilities of the six Board Committees at Sun Life Financial:

- The Executive Committee considers general policy issues affecting the Corporation on a worldwide basis. Of particular importance is the responsibility to review the invested assets of the Corporation each year, and to review and recommend approval of dividends to policyholders;
- The Audit Committee oversees the system of internal controls and financial reporting of the Corporation. It also reviews compliance with legislative and regulatory requirements, and monitors compliance with the Code of Business Conduct of the Corporation;
- The Nominating and Corporate Governance Committee is responsible for corporate governance matters and makes recommendations at Board meeting processes, new Board nominees, Committee mandates and membership, and Directors' compensation. In addition, this Committee is responsible for assessing the effectiveness of the Board as a whole;
- The Management Resources Committee is responsible for the compensation policies of the Corporation, the succession planning process, review of senior management performance and remuneration and overseeing the Corporation sponsored pension and savings plans;
- The Conduct Review Committee reviews the "related party" procedures and practices of the Corporation in accordance with statutory requirements; and
- The Risk Review Committee is responsible for overseeing the major areas of business risk facing the Corporation as well as approving, and reviewing compliance with, policies implemented by the Corporation for the management and control of risk including policies implemented pursuant to the Standards of Sound Business and Financial Practices.

Sun Life Financial strives to achieve complete, accurate and timely communication with its investors. The Corporation's investor relations staff provides information to current and potential investors and responds to their inquiries in a prompt, courteous manner. Significant disclosure documents are available on Sun Life Financial's website at: www.sunlife.com.



Board of Directors

as at January 1, 2001

All directors of Sun Life Financial Services of Canada Inc. are also directors of Sun Life Assurance Company of Canada.

After each name, number of years of service as a director is shown.

Average service is 10 years at December 31, 2000.

Donald A. Stewart, F.I.A., F.C.I.A. (4)
Chairman and Chief Executive Officer
Sun Life Financial Services of Canada Inc. and
Sun Life Assurance Company of Canada
Mississauga, Ontario

James C. Baillie, Q.C. (1)
Counsel
Torys
Toronto, Ontario

Dian N. Cohen, C.M., LL.D. (4)
President
Dian Cohen Productions Ltd.
Ayer's Cliff, Quebec

William R. Fatt
Chairman and Chief Executive Officer
Fairmont Hotels & Resorts Inc.
Toronto, Ontario

Stanley H. Hartt, O.C., Q.C. (7)
Chairman
Salomon Smith Barney Canada Inc.
Toronto, Ontario

The Hon. Donald S. Macdonald, P.C., C.C. (9)
Senior Advisor
UBS Bunting Warburg Inc.
Toronto, Ontario

John M. MacLeod (7)
Corporate Director
Calgary, Alberta

John D. McNeil, C.F.A. (13)
Former Chairman
Sun Life Assurance Company of Canada
Toronto, Ontario

Bertin F. Nadeau (10)
Chairman and Chief Executive Officer
GescoLynx Inc.
Montreal, Quebec

Ronald W. Osborne, F.C.A. (11)
President and Chief Executive Officer
Ontario Power Generation Inc.
Toronto, Ontario

Alfred Powis, O.C. (28)
Corporate Director
Toronto, Ontario

Sir Bob Reid (3)
Deputy Governor
Bank of Scotland
London, England

William W. Stinson* (15)
Chairman, Executive Committee
United Dominion Industries Limited
Calgary, Alberta

W. Vickery Stoughton (12)
Chairman and Chief Executive Officer
Careside, Inc.
Los Angeles, California

David G. Vice (11)
Corporate Director
Mississauga, Ontario

Jeannine Guillevin Wood, O.C. (11)
Chairman of the Board
Laurentian Bank of Canada
Montreal, Quebec

Each director of the Corporation has been engaged for more than five years in his or her present principal occupation or in other capacities with the company or organization (or predecessor thereof) in which he or she currently holds his or her principal occupation except:

- Mr. Hartt, who prior to October 1996 was Chairman, President and Chief Executive Officer of Camdev Corporation;
- Mr. Macdonald, who prior to March 2000 was Counsel at McCarthy Tétrault;
- Mr. Osborne, who prior to March 1998 was President and Chief Executive Officer of Bell Canada, prior to September 1997 was President of BCE Inc. and prior to May 1996 was Executive Vice President and Chief Financial Officer of BCE Inc.;
- Sir Bob Reid, who prior to 1997 was Chairman of London Electricity;
- Mr. Stinson, who prior to May 1996 was Chairman and Chief Executive Officer of Canadian Pacific Limited; and
- Mr. Stoughton, who prior to July 1996 was President of SmithKline Beecham Diagnostic Systems.

Board Committees

as at January 1, 2001

Executive Committee

John D. McNeil – Chair
Alfred Powis
William W. Stinson*
David G. Vice

Nominating and Corporate Governance Committee

Alfred Powis – Chair
Donald S. Macdonald
John D. McNeil
Bertin F. Nadeau
William W. Stinson*

Conduct Review Committee

Ronald W. Osborne – Chair
Dian N. Cohen
Stanley H. Hartt
John M. MacLeod
W. Vickery Stoughton

Audit Committee

Ronald W. Osborne – Chair
Dian N. Cohen
Stanley H. Hartt
John M. MacLeod
W. Vickery Stoughton

Management Resources Committee

William W. Stinson* – Chair
John M. MacLeod
Ronald W. Osborne
Alfred Powis
David G. Vice
Jeannine Guillevin Wood

Risk Review Committee

Sir Bob Reid – Chair
Dian N. Cohen
Stanley H. Hartt
Donald S. Macdonald
John M. MacLeod
Bertin F. Nadeau
Jeannine Guillevin Wood

* Lead Director



Subsidiary Companies

SUN LIFE FINANCIAL SERVICES OF CANADA INC.

SUBSIDIARIES*

(as at December 31, 2000) (in thousands of Canadian dollars)

	Address of Head or Principal Office	Book Value of Shares Owned by Company**	Percent of Voting Shares Owned by Company**
Sun Life Assurance Company of Canada	Toronto, Canada	2,954,214	100%
Spectrum Investment Management Limited	Toronto, Canada	89,995	100%
Sun Life Financial Advisory Services Inc.	Toronto, Canada	405	100%
IQON Financial Management Inc.	Winnipeg, Canada	8,251	51%
IQON Financial Inc.	Winnipeg, Canada		100%
IQON Insurance Brokerage Inc.	Winnipeg, Canada		76%
McLean Budden Limited	Toronto, Canada	55,282	58%
Sun Life Financial Trust Inc.	Toronto, Canada	18,668	100%
Sun Life Securities Inc.	Toronto, Canada	17,394	100%
The Stormont Electric Light & Power Company	Toronto, Canada	150	100%
279906 Ontario Limited	Toronto, Canada	357	50%
Sun Life (India) AMC Investments Inc.	Toronto, Canada		100%
Sun Life (India) Distribution Investments Inc.	Toronto, Canada	10,925	100%
Sun Life (India) Securities Investments Inc.	Toronto, Canada	2,474	100%
Sun Life of Canada Reinsurance Holdings (U.S.), Inc.	Dover, U.S.A.	36,402	100%
Sun Life Assurance Company of Canada -			
U.S. Operations Holdings, Inc.	Wellesley Hills, U.S.A.	1,208,841	100%
Sun Life Financial (Japan) Inc.	Wellesley Hills, U.S.A.		100%
Sun Life of Canada (U.S.) Financial Services Holdings, Inc.	Wellesley Hills, U.S.A.		99%
Massachusetts Financial Services Company	Boston, U.S.A.		83%
MFS Institutional Advisors, Inc.	Boston, U.S.A.		100%
MFS Institutional Advisors (Australia) Ltd.	Sydney, Australia		100%
MFS Fund Distributors, Inc.	Boston, U.S.A.		100%
MFS International Ltd.	Hamilton, Bermuda		100%
MFS International (U.K.) Ltd.	London, U.K.		100%
MFS Investment Management K.K.	Tokyo, Japan		100%
MFS Retirement Services, Inc.	Boston, U.S.A.		100%
MFS Service Center, Inc.	Boston, U.S.A.		100%
MFS Heritage Trust Company	Boston, U.S.A.		100%
New England Streaming Media, LLC	Boston, U.S.A.		86%
MFS Investment Management (LUX) S.A.	Boston, U.S.A.		100%
MFS Original Research Partners, LLC	Boston, U.S.A.		100%
MFS Japan Holdings, LLC	Boston, U.S.A.		92%
Sun Life of Canada (U.S.) Holdings, Inc.	Wellesley Hills, U.S.A.		100%
Sun Canada Financial Co.	Wellesley Hills, U.S.A.		100%
Sun Life of Canada (U.S.) Capital Trust I	Wellesley Hills, U.S.A.		100%
Sun Life of Canada (U.S.) Limited Partnership I	Wellesley Hills, U.S.A.		100%
Sun Life Assurance Company of Canada (U.S.)	Wellesley Hills, U.S.A.		100%
Sun Life of Canada (U.S.) Holdings General Partner, Inc.	Wellesley Hills, U.S.A.		100%
Sun Life Insurance and Annuity Company of New York	New York, U.S.A.		100%

	Address of Head or Principal Office	Book Value of Shares Owned by Company**	Percent of Voting Shares Owned by Company**
Sun Life of Canada (U.S.) Distributors, Inc.	Wellesley Hills, U.S.A.		100%
Sunesco Insurance Agency, Inc.	Wellesley Hills, U.S.A.		100%
Sun Life Financial Services Limited	Hamilton, Bermuda		100%
Sun Life of Canada (U.S.) SPE 97-1, Inc.	Boston, U.S.A.		100%
Clarendon Insurance Agency, Inc.	Wellesley Hills, U.S.A.		100%
Sun Life of Canada UK Holdings plc	Basingstoke, U.K.	1,439,514	100%
Confederation U.K. Holdings Limited	Basingstoke, U.K.		100%
SLC Financial Services (U.K.) Limited	Stevenage, U.K.		100%
Sun Bank plc	Stevenage, U.K.		100%
Confederation Mortgage Services Limited	Stevenage, U.K.		100%
Sun Bank Offshore Ltd.	Jersey, Channel Islands		100%
Primett Property Management Limited	Stevenage, U.K.		100%
Exeter Trust Limited	Stevenage, U.K.		100%
Exeter Trust Financial Services Limited	Stevenage, U.K.		100%
Confederation Property Services Limited	Stevenage, U.K.		100%
Sun Life of Canada (UK) Group Services Limited	Stevenage, U.K.		100%
Sun Life Assurance Company of Canada (U.K.) Limited	Basingstoke, U.K.		100%
Sun Life of Canada Independent Limited	Basingstoke, U.K.		100%
SLC Pooled Pensions Limited	Stevenage, U.K.		100%
Sun Life Financial of Canada Trustee Limited	Basingstoke, U.K.		100%
SLC Asset Management Limited	Basingstoke, U.K.		100%
Sun Life of Canada Unit Managers Limited	Stevenage, U.K.		100%
Langbourn Property Investment Services Limited	London, U.K.		100%
Langbourn Financial Services Limited	London, U.K.		100%
Sun Life Information Services Ireland Limited	Waterford, Eire	214	100%
Sun Life of Canada (International) Limited	Bermuda	126,649	100%
Sun Life of Canada International Assurance Limited	Bridgetown, Barbados	2,817	100%
Sun Life Assurance Company of Canada (Barbados) Limited	Bridgetown, Barbados	22,177	100%
Sun Life Inversiones S.A.	Santiago, Chile	159,020	100%
PT Asuransi Sun Life Indonesia	Jakarta, Indonesia	22,991	80%
Middlesmart Limited	Basingstoke, U.K.	248,121	100%
Sun Life of Canada (Netherlands) B.V.	Rotterdam, Netherland		100%
Sun Life of Canada (Philippines), Inc.	Manila, Philippines		100%
Sun Life Plans, Inc.	Manila, Philippines		100%
Sun Life Asset Management Company Inc.	Manila, Philippines		100%

* In accordance with Section 331(3) of the Insurance Companies Act (Canada)

** The book value (in thousands of dollars) of shares and the percentage held are stated at the equity in such investments held by the Company and other subsidiaries of the Company. Only those subsidiaries of the Company with a book value of at least \$100,000 have been included. Information about additional subsidiaries may be obtained from the Secretary of the Company.

Officers of Sun Life Financial Services of Canada Inc.*

Donald A. Stewart
*Chairman and
Chief Executive Officer*

C. James Prieur
*President and
Chief Operating Officer*

Paul W. Derksen
*Executive Vice-President and
Chief Financial Officer*

Thomas A. Bogart
*Executive Vice-President and
Chief Legal Officer*

Marcel M. Gingras
*Executive Vice-President,
Canadian Operations*

Douglas C. Henck
*Executive Vice-President,
Asian Operations*

James A. McNulty III
*Executive Vice-President,
U.S. Operations*

A. Stephen Melcher
*Executive Vice-President,
British Operations*

John R. Wright
*Executive Vice-President and
Chief Information Officer*

James E. Henkel
*Vice-President and
Corporate Secretary*

Paulette L. Kennedy
*Vice-President and
Internal Auditor*

Robert A. Pattillo
*Vice-President, Public and
Corporate Affairs*

Thomas R. Rice
*Vice-President,
Investor Relations*

Robert W. Wilson
Vice-President and Actuary

* Executive officers and those Principal Officers who deal with key external constituencies.



Corporate Information

SUN LIFE FINANCIAL CORPORATE OFFICE

Sun Life Financial Services
of Canada Inc.
150 King Street West
Toronto, Ontario
Canada M5H 1J9
Telephone: (416) 979-9966
www.sunlife.com

Inquiries may be addressed to:
Public & Corporate Affairs
Sun Life Financial
150 King Street West
Toronto, Ontario
Canada M5H 1J9
Telephone: (416) 979-9966
Fax: (416) 585-9546

CANADIAN OPERATIONS

Toronto Office
225 King Street West
Toronto, Ontario
Canada M5V 3C5
Telephone: (416) 408-7500
Call Centre:
1 800 SUN-LIFE/1 800 786-5433
www.sunlife.ca

Montreal Office
1155 Metcalfe Street
Montreal, Quebec
Canada H3B 2V9
Telephone: (514) 866-6411
Call Centre:
1 800 SUN-LIFE/1 800 786-5433

Outside Canada: (506) 862-2197

UNITED STATES OPERATIONS

One Sun Life Executive Park
Wellesley Hills, Massachusetts
USA 02481
Telephone: (781) 237-6030
Call Centre: 1 888 891-8145
www.sunlife-usa.com

UNITED KINGDOM OPERATIONS

Basing View, Basingstoke
Hampshire
United Kingdom RG21 4DZ
Telephone: (08701) 605040
Call Centre: (08701) 646060
www.sunlifeofcanada.co.uk

ASIAN OPERATIONS

Hong Kong
Rm 901-902 9/F Paliburg Plaza
68 Yee Wo Street
Causeway Bay, Hong Kong, China
Telephone: (852) 2103-8188
Call Centre: (852) 2103-8988
www.sunlife.com.hk

India
Birla Sun Life Asset Management
Company Limited
Ahura Centre Tower A
2nd Floor, 96 A-D
Mahakali Caves Road, Andheri (E)
Mumbai, India – 400 093
Telephone: (022) 832-6000
www.birlamutual.com

Indonesia

P.T. Asuransi Sun Life Indonesia
World Trade Centre, 8th Floor
JL Jend. Sudirman Kav 29-31
Jakarta, Indonesia 12920
Telephone: (021) 521-1428

People's Republic of China
Beijing Representative Office
Bright China Chang An Building
Suite 1010, Tower A
No. 7 Jianguomennei Dajie
Beijing, People's Republic of China
100005
Telephone: (8610) 6510-2783

Philippines

12th Floor, The Enterprise Centre
Tower 2
6766 Ayala Avenue cor.
Paseo de Roxas
Makati City, Philippines
Telephone: (632) 886-6188
Call Centre: (632) 849-9888
www.sunlife-ph.com

Shareholder Information

INVESTOR RELATIONS

For financial analysts, portfolio managers and institutional investors requiring financial information, please contact:
Thomas R. Rice, Vice-President Investor Relations
Telephone: (416) 204-8163
Fax: (416) 597-9108
investor_relations@sunlife.com

SHAREHOLDER RELATIONS

For retail shareholders, please contact:
Jo-Anne Archibald, Director Retail Investor Relations
Fax: (416) 598-3121
retailshareholders@sunlife.com

TRANSFER AGENT

For information on your Sun Life Financial Services of Canada Inc. shareholdings, please contact the Transfer Agent in the country where you reside. If you do not live in any of the countries listed, please contact the Canadian office.

Canada and the United States
CIBC Mellon Trust Company
P.O. Box 7010
Adelaide Street Postal Station
Toronto, Ontario
Canada M5C 2W9
Within Canada & the United States:
Telephone: 1 877 224-1760 (English)
Telephone: 1 888 290-0048 (French)
Outside of North America:
Telephone: (416) 348-9412
Hours: Mon. to Fri. – 8:00 a.m. to 6:00 p.m.
(Eastern Time)
Fax: (416) 643-5501
Inquiries@cibcmellon.com

United Kingdom
Capita IRG Plc
Bourne House
34 Beckenham Road
Beckenham, Kent
United Kingdom BR3 4TU
Telephone: (08456) 021587
Hours: Mon. to Fri. – 9:00 a.m. to 5:00 p.m.
ssdblueco@capita-irg.com

Bermuda
The Bank of N.T. Butterfield & Son Ltd.
Butterfield Corporate Services
Box HM 1540
Hamilton, Bermuda
Telephone: (441) 298-6461
Hours: Mon. to Fri. – 9:00 a.m. to 5:00 p.m.

Philippines
The Hongkong and Shanghai Banking Corporation Limited
30/F The Discovery Suite
#25 ADB Avenue
Ortigas Centre, Pasig
Metro Manila, Philippines
From Metro Manila:
Telephone: (632) 683-2601
From the Provinces:
Telephone: 1 800 1 888-2422
Hours: Mon. to Fri. – 9:00 a.m. to 5:30 p.m.

Hong Kong
Central Registration Hong Kong Limited
Rooms 1901-1905, 19th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong
Telephone: (852) 2862-8555
Hours: Mon. to Fri. – 9:00 a.m. to 5:30 p.m.
Sat. – 9:00 a.m. to 12:30 p.m.
info@centralregistration.com

DIVIDENDS DECLARED AND DATES OF PAYMENT

The first quarterly dividend of CAD \$0.12 per share was paid on December 31, 2000. Subject to the approval of the Board of Directors, dividends are expected to be paid at the end of each calendar quarter.

IMPORTANT INFORMATION

Sun Life Financial Services of Canada Inc. shares are listed on the Toronto (TSE), New York (NYSE), London (LSE) and the Philippines (PSE) Stock Exchanges. There were 421,784,491 outstanding shares as of December 31, 2000.

Ticker Symbol: SLC except in the U.K.
 (Ticker Symbol in the U.K. is SFC)

2001 Annual and Special Meeting
 Shareholders are invited to our 2001 Annual and Special Meeting.

Shareholders of record March 7, 2001 are entitled to receive notice of, and to vote at the Annual and Special Meeting.

Date: Wednesday April 25th
Time: 11:00 am
Place: Roy Thomson Hall,
Toronto, Canada

The Annual Report is also available online at www.sunlife.com/ar2000





www.sunlife.com



Sun Life Financial Services of Canada Inc.

150 King Street West

Toronto, Ontario

Canada M5H 1J9